

2 Policemen Are Killed by Protesters In Frankfurt

By Robert J. McCartney
Washington Post Service

BONN — Interior Minister Friedrich Zimmermann said Tuesday that the shooting deaths of two policemen by demonstrators at Frankfurt International Airport represented "a new phase and a new quality of violence" in West Germany.

The policemen were shot and killed Monday evening when they and their colleagues sought to break up a march called to protest a long-completed expansion of the airport.

It was the worst outbreak of violence during a political demonstration since the country was founded in 1949. The incident also marked the first time that a policeman had been killed during a demonstration in West Germany.

The shootings were particularly alarming because they could mark the beginning of an increase in the use of violence by militant anarchists, who are known as "the autonomous" and who regularly fight with the police but had not previously killed anyone, government officials and private experts said.

It was suspected that the shots were fired by someone in "autonomous circles," security sources said. Many of the demonstrators wore masks, apparently to hide their identities.

Six policemen were hospitalized with injuries, including two who were hit by gunfire after about 200 police officers clashed with 150 in 200 demonstrators outside the airport, according to the police and West German media reports.

The demonstration was called to mark the sixth anniversary of a police sweep that dismantled a "hut village" erected by protesters seeking to block construction of a third runway at the airport.

The protesters said then that trees should not be cut down to clear space for the runway and that the expansion would increase noise pollution. The runway was inaugurated in April 1984.

The police used water cannon on Tuesday to break up the demonstrators, who did not have a permit. The protesters tossed gasoline bombs and rocks and fired tracer bullets as well as live ammunition.

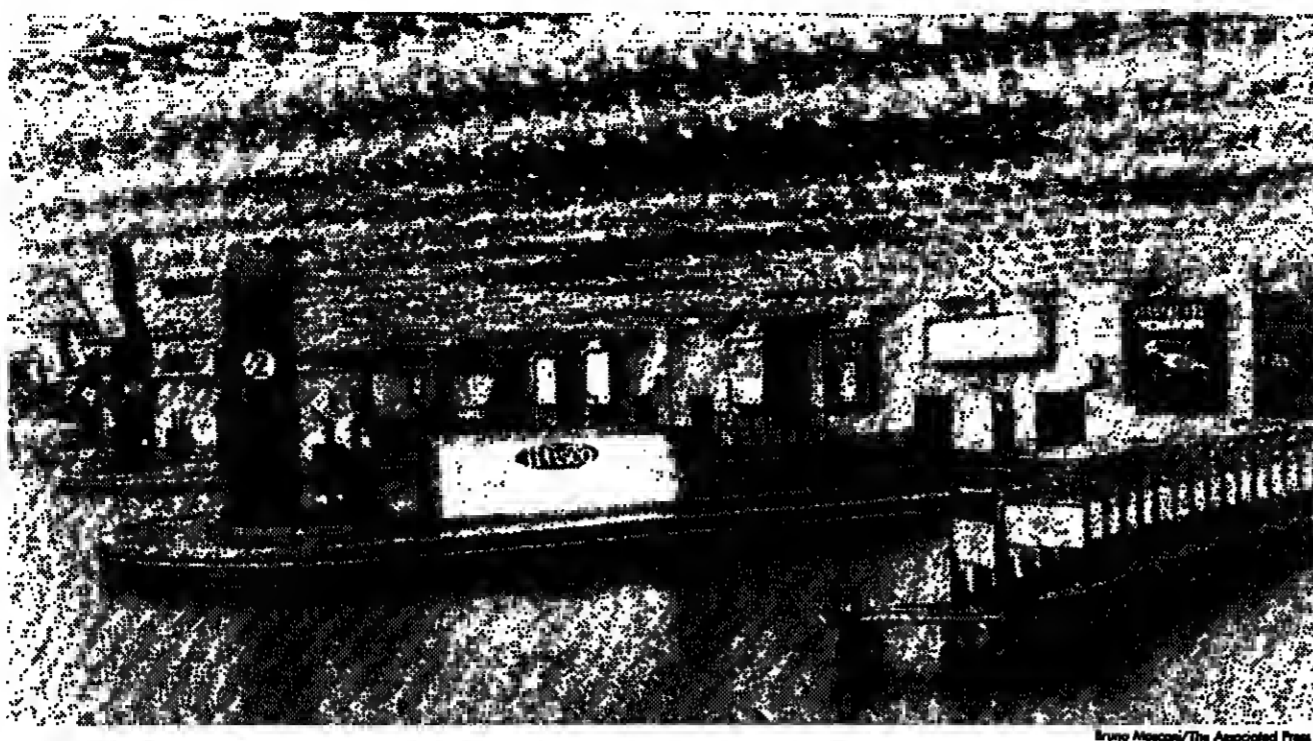
The police detained an unidentified man on Tuesday after a search of his apartment revealed a .38-caliber pistol that fired the bullet that killed one of the policemen, a spokesman for the federal prosecutor's office, Alexander Frechtel, said Tuesday evening.

Tests showed that the pistol fired the shot that killed Klaus Eibcofer, a 43-year-old police squad leader, Mr. Frechtel said. The pistol had been stolen from a policeman during an anti-nuclear demonstration in Hanau near Frankfurt on Nov. 8, 1986, he said.

The incident was expected to lead to increased pressure from conservatives for the government to adopt controversial proposals to toughen penalties against the wearing of masks at demonstrations.

Chancellor Helmut Kohl's center-right coalition is divided over whether to strengthen the anti-demonstration laws.

"Normally the autonomous groups do not kill people, so this is something new," said Gerd Langguth, a Bonn University political scientist who has written a book on West German protest movements.



Leonardo da Vinci Airport in Rome stood deserted during a recent series of strikes by ground crew.

Economic Woes Threaten Italy Coalition

Agence France-Press

ROME — The coalition government, led by Giovanni Goria, faces a winter of discontent, with resurgent inflation, a growing trade deficit and a series of strikes that so far have affected transport and the financial industry.

The latest sector to warn of job losses is Italian diplomats, who have threatened a worldwide strike starting Nov. 30 to protest employment conditions that the government wants to impose.

Analysts said these factors could accentuate a growing split within the coalition of Christian Democrats, Socialists, Social Democrats, Republicans and Liberals.

In the past week, the national statistics bureau has reported that inflation rose to an annual rate of 5.3 percent in October and could reach 6 percent by December, and that Italy's trade deficit doubled to 8.67 billion lire (\$6.84 billion) in the first nine months of 1987, compared with the corresponding period in 1986.

Increasing domestic problems and the international market chaos of past weeks led the Senate budget commission to tell the government Saturday that it must withdraw its planned finance bill for 1988 and adjust it to take account of the more difficult economic circumstances.

The Communist Party was behind the Senate initiative, arguing that the bill was based on rosy world economic predictions that have been overshadowed by events.

Divisions within the government became apparent when Giuliano Amato of the Socialist Party, who is treasury minister and deputy prime minister, said it was up to the Christian Democratic prime minister to go to the Senate with new proposals.

The day before, a coalition dispute had thwarted Mr. Goria's attempts to end strikes called by increasingly militant grass-roots committees.

At an emergency cabinet meeting, Mr. Goria's plan to curb strikes, which have disrupted train and airport travel as well as cemetery burials, was supported by the Republicans and Liberals but vetoed by the Socialist Party.

Education sources said Tuesday that the draft policy stemmed from a major controversy in February over the banning of a popular Natal Province high school track star from a national athletic competition in Pretoria because he was black.

The banning was a source of acute embarrassment for the government of President Pieter W. Botha.

The government frequently cites integration of professional sports and amateur sports outside of public schools as evidence that South Africa is making progress toward eliminating the apartheid system of racial segregation.

The Ministry of Education and Culture said that the proposal was still under review by advisory bodies and required final approval by the government. A spokesman said it was "premature" to discuss the reform proposals.

However, government education sources confirmed that a three-page policy document containing the changes was discussed last week by education councils of South Africa's four provinces, and that at least two, Natal and Transvaal, had approved the proposals.

It was not clear how the proposals circumvented the 1983 amended constitution, which stipulates that athletic competition in schools falls under the category of "own affairs," which may be controlled by local option.

Sports outside of schools comes under "general affairs," which are governable by central authority.

Dr. Andries Treurnicht, leader of the Conservative Party, condemned the change as "forced integration." He suggested that the right-wing opposition to Parliament would fight school sports integration.

Enrollment in South African public schools is strictly segregated by race, and Mr. Botha's government has made it clear that it has no intention of changing that policy.

Tutu Calls For Release Archbishop Desmond M. Tutu denounced Tuesday the detention of the Reverend Stanley Mogoba, president of the South African Institute of Race Relations and Church-clerk of the Methodist president, and demanded his immediate release, United Press International reported from Johannesburg.

According to church officials, Mr. Mogoba was taken from his Durban home by the police on Monday and detained under the State of Emergency decree. The police declined to confirm or deny that Mr. Mogoba had been detained.

Legislator Is Detained In Malaysia

By Barbara Crossette
New York Times Service

KUALA LUMPUR, Malaysia — The Malaysian government announced the detention without trial Tuesday of another member of the opposition Democratic Action Party, bringing to 92 the number of politicians, church workers, public-interest campaigners and others seized in the last week.

The member of Parliament arrested Monday night, Tan Seng Giaw, was the 10th legislator of his party to be imprisoned. Nearly half of the 24 Democratic Action members of Parliament are in custody.

The Democratic Action Party's first leader, Lim Kit Siang, was among the first detainees. The arrests began on Oct. 24.

The government of Prime Minister Mahathir bin Mohamad has said the detentions were necessary to ease racial tensions between Malays and Chinese, the country's two major ethnic groups.

Although Mr. Mahathir's ruling National Front coalition was returned to power in the elections with more than a two-thirds majority in the lower house, one of the parties in the coalition, the Malaysian Chinese Association, lost ground to Mr. Lim's party.

Political commentators said then that this appeared to reflect concerns among ethnic Chinese voters that alliance with Mr. Mahathir's United Malays National Organization was not in their interest.

The arrest of Mr. Lim is also being interpreted as an expression of Mr. Mahathir's frustration over the leading role Mr. Lim had been taking in blocking the awarding of a construction contract for a major north-south highway that the government sought to give to a company partly owned by his party.

Most of all, however, the Democratic Action Party, which is multiracial in composition in a political system where most parties are based on a single ethnic group, had been held responsible for fanning a dispute on the future of Chinese-language schools.

"I'm surprised he's leaving before passing the mark McNamara made," said one close acquaintance. "He's never said that was a goal, but he has enough interest in his place in history to have served out the full second term."

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South Africa May Change Policy on School Sports

By William Claiborne
Washington Post Service

JOHANNESBURG — The South African government has proposed a major reversal of its segregation policy for public school sports events in which schools that do not want to compete against teams with blacks would be forced to withdraw from mixed athletics events.

Under existing policy, it is the teams with black members that must withdraw from competition if any objection to racial mixing is raised.

If the proposal survives a review by local school advisory groups and a strong challenge by the far-right Conservative Party, it will represent the most fundamental shift yet toward racial sport in South African public schools.

In effect, it will penalize white schools that refuse to compete against blacks.

Education sources said Tuesday that the draft policy stemmed from a major controversy in February over the banning of a popular Natal Province high school track star from a national athletic competition in Pretoria because he was black.

The banning was a source of acute embarrassment for the government of President Pieter W. Botha.

The government frequently cites integration of professional sports and amateur sports outside of public schools as evidence that South Africa is making progress toward eliminating the apartheid system of racial segregation.

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WORLD BRIEFS

Man Charged With Threat to Shultz

WASHINGTON (AP) — An unemployed chemist armed with three guns and at least 600 bullets was arrested Tuesday after the authorities said he told his mother he was going to kill Secretary of State George P. Shultz.

Edward Lewis Gallo, 41, of Worcester, Massachusetts, was taken into custody at a hotel and charged with making a threat against a public official. A semiautomatic M-16 rifle, two shotguns and 600 to 700 rounds of ammunition were removed from his car, the police said.

The police said that Mr. Gallo was arrested because he "presented a possible threat to Secretary Shultz and/or President Reagan." It did not elaborate on the danger to Mr. Reagan.

Tories Select U.K. Party Chairman

LONDON (AP) — The Conservative Party, led by Prime Minister Margaret Thatcher, named Peter Brooke, the paymaster-general, on Monday as its new chairman.

Mr. Brooke, 53, takes over from Norman Tebbit, who announced in June that he was leaving politics to spend more time with his wife, Margaret. She was paralyzed in a 1983 bombing in Brighton, in which the guerrilla Irish Republican Army attempted to assassinate Mrs. Thatcher during the party's annual congress.

Mr. Brooke was appointed paymaster-general, a government minister's job outside the 22-member cabinet, after the June election.

Kasparov Wins Resumed Chess Game

SEVILLE, Spain (Reuters) — The eighth game of the world chess championship ended Tuesday with a victory for the titleholder, Garry Kasparov, over his challenger, Anatoli Kasparov, after 50 moves. The result of the resumed game evens the score of the match at 4-4.

GAME 8 ENGLISH OPENING

White Kasparov	Black Kasparov	White Kasparov	Black Kasparov	White Kasparov	Black Kasparov
1. e4	c5	18. e4	Bd5	35. Qd1	b5
2. Nc3	d4	19. Nc3	Qd7	36. Nc3	Qd8
3. Bg2	c4	20. Qd2	Nc5	37. Ra2	Bc6
4. Bg2	Nc6	21. Nc3	Rb8	38. Nc3	b5
5. a3	g6	22. Nc4	Nb7	39. Bc4	Re6
6. b4	Ng7	23. e4	Nc5	40. Nc4	Bb6
7. Rb1	Nf7	24. Bc4	Nb7	41. Nf2	Kg7
8. e3	O-O	25. Kf2	Rb8	42. f4	Adjourned
9. d3	Rb8	26. Ra1	Nc5	43. Nf3	Re5
10. Ng2	Bc6	27. Ra2	Rf7	44. Nf6	Rd1
11. Bc4	Nc5	28. Qc3	Rb8	45. Nf6	Rd1
12. Bc2	b6	29. Ra2	Bb6	46. Qc4	Rc4
13. O-O	Nb7	30. Ng5	Rf8	46. Qc4	Kg6
14. e4	Kc8	31. Rc2	Bg7	47. f2	Qc8
15. Oe1	f5	32. Qc3	Re8	48. e5	Qc8
16. Bg5	Qe8	33. Nc3	Bb6	49. Rf6	Qc7
17. Bxe7	Qe7	34. Bc5	Bg7	50. Rf6	Re8

Haiti Election Council Offices Burn

PORT-AU-PRINCE, Haiti (Reuters) — Fire damaged the offices of the Provisional Electoral Council on Tuesday after it rejected four presidential candidates who had served as ministers under the former dictator Francois Duvalier, witnesses said.

Another fire on Tuesday destroyed a Port-Au-Prince department store owned by Emmanuel Ambrose, a council member. Radio Metropole said that the office of an anti-Duvalier presidential candidate, Sylvio Claude, had been sprayed with bullets. Reynold Georges, another anti-Duvalier candidate in the elections, scheduled for Nov. 29, said that shots were fired Tuesday at his house and car. No casualties were reported in any of the incidents.

The Constituent Assembly drafted the new constitution, which instructed the council to reject candidates who had murdered, tortured, or embezzled under the Duvalier regime or supported it too zealously. Francois Duvalier died in 1971. His son, Jean-Claude, replaced him. He was toppled in February 1986 and fled to France.

Astronomers Spot 'Einstein's Ring'

TOULOUSE, France (Reuters) — Four French astronomers asserted Tuesday that they have observed "Einstein's Ring," an optical phenomenon predicted by Albert Einstein.

The effect was created by an enormous mass bending light into the apparent shape of a ring, Yannick Mellier of the Toulouse Observatory said. It was also known as a gravitational lens, he said.

Mr. Mellier, Bernard Fort, Guy Mathet and Genevieve Soucail established that an arc of light seen through a telescope in Hawaii in 1985 was the first known example of the phenomenon. Mr. Mellier said the ring was visible around a galaxy about seven billion light years away from Earth.

Mexico Tries to End Air Strike Threat

MEXICO CITY (AP) — Federal mediators are working to resolve a threatened strike by Mexican Airlines pilots, studying a petition by the company to have the strike annulled.

The 976 pilots, who are seeking 75-percent salary increases, continued flying in compliance with a presidential order issued at the start of the strike at 12:01 A.M. Sunday.

Flight attendants and ground crews earlier accepted Mexican's offer of 69.5-percent pay increases. That also is the last known offer to the pilots. Mexicana has about 13,000 union employees. Mexico's inflation rate last year was nearly 106 percent.

The Prado Museum in Madrid, one of the most renowned art museums in Europe, closed its doors indefinitely Tuesday until workers and directors reach an agreement in a wage dispute.

The British Civil Aviation Authority is investigating a near-collision involving an airliner using the new London City Airport and a light aircraft towing a glider. A spokesman for Eurocity Express said Tuesday that one of its planes was involved in the Oct. 28 incident.

SOVIET: Softening of Gorbachev's Positions Attributed to Domestic Tensions

(Continued from Page 1)

a series of half measures — an apparent mixture of Mr. Gorbachev's views and those of more conservative forces within the Communist Party.

"It just didn't go far enough," one Soviet scientist said in an interview. "At this point in his reform campaign, Gorbachev has got to be more convincing if he is going to win support among those still sitting on the fence."

According to one view, the address reflects the influence of conservatives who cautioned publicly against the dangers of some of the reforms during Mr. Gorbachev's 56-day absence from public view in August and September.

Some Western diplomats speculated that Mr. Gorbachev had softened his remarks to reflect criticism raised during a review of the address at an Oct. 21 plenum of the Central Committee. Others emphasized that the subjects of the speech, such as Stalingrad, excite so many passions across the Soviet Union that Mr. Gorbachev had to broach them with a sense of balance.

The part of the speech considered by Western analysts as most indicative of a conservative shift by Mr. Gorbachev was his veiled rebuke of one of the most outspoken proponents of Soviet reform.

"We must not give in to pressure in those overly headstrong and im-

patient people," Mr. Gorbachev said, "who do not want to take into account the objective logic of the restructuring."

The comment was widely interpreted as criticism of Mr. Yeltsin, who, in the Oct. 21 meeting, reportedly rallied party leaders for slowing the pace of reform. Mr. Yeltsin later offered to resign for making the remarks. The case reportedly will be examined by the Politburo and the Moscow party on Nov. 9.

Criticizing "impatience elements," Mr. Gorbachev said, "It should be clear that we cannot skip stages and try to do everything with one wave of the hand."

Some Western diplomatic analysts say some of the more conservative members of the Soviet leadership gained a stronger foothold during Mr. Gorbachev's absence in August and September.

The chief party ideologist, Yegor K. Ligachev, and the head of the KGB, Viktor M. Chebrikov, both members of the ruling Politburo, made public appearances and espoused a more conservative line than Mr. Gorbachev's while the Soviet leader was away.

Mr. Armacost said that he visited China for talks with Chinese Foreign Ministry officials, mainly concerning international and regional issues. In the course of his just-completed three-day stay, he met with Foreign Minister Wang Qiang and Deputy Foreign Minister Zhu Qizhen.

He said that Chinese officials had repeated an earlier statement that China would take "strict measures" to prevent Chinese weapons exports from being diverted to either Iran or Iraq. Mr. Ar

Last-Minute Politics: Voter Shifts Make U.S. Races Hard to Call

By E.J. Dionne Jr.
New York Times Service

WASHINGTON — Off-off-year elections are poor guides to the future of national politics. But the contests this year offer some striking evidence of an electorate given to sudden shifts in allegiance and of local political establishments in deep disarray.

On Tuesday, in a year when there will be no congressional contests, voting highlights were gubernatorial elections in Kentucky and Mississippi and a bitter mayoral election in Philadelphia.

In all three races, Democrats were favored, although Republicans seemed to be surging in the final moments in Mississippi. In Philadelphia, where Mayor W. Wilson Goode, a Democrat, faces former Mayor Frank L. Rizzo, a Republican, the outcome was likely to depend on which party did a better job turning out its vote.

If any of these contests produces a surprise, that will not be much of a surprise for those who have been following the 1987 elections. In state after state, what seemed like obvious wisdom at one stage in a campaign turned into patent nonsense later.



The Democratic presidential hopefuls debated social policy Monday in New Orleans. From left are Governor Michael S. Dukakis of Massachusetts, Representative Richard A.

Gephardt of Missouri, the Reverend Jesse L. Jackson, former Governor Bruce Babbitt of Arizona, Senator Albert Gore Jr. of Tennessee and Senator Paul Simon of Illinois.

The pattern for this year was set first in the Kentucky Democratic gubernatorial primary in May. The early wisdom was that former Governor John Y. Brown was the favorite, and that his major challenger would be Lieutenant Governor Steve Beshear.

Other candidates included a little-known businessman, Wallace Wilkinson. He registered only about 5 percent in opinion surveys and seemed to have absolutely no chance.

Mr. Wilkinson won. In fact, he won easily on a blaze of television commercials that painted him as the neopolitician who would change the way politics was conducted in Kentucky and stop any new tax increases by instituting a state lottery.

What was most striking is that Mr. Wilkinson picked up most of his support the final week of the campaign.

Next came Louisiana, and there the wisdom proved right on one thing: Governor Edwin W. Edwards, a Democrat, his image blackened by corruption charges, his popularity sapped by the economic mess in the state, lost.

But the man who defeated him in a multiparty primary was a surprise. Representative Buddy Roemer, a Democrat like Mr. Wilkinson, had been last in the surveys all summer. Other candidates, including Representative Robert L. Livingston, a Republican, seemed the far more likely victor.

In the final two weeks of the campaign Mr. Roemer ran an aggressive television advertising program and vaulted past everyone. Like Mr. Wilkinson, Mr.

Roemer cast himself as the champion of those who wanted to take on the power structure. Like Mr. Wilkinson, he was a Democrat with an appeal to conservatives.

Mr. Roemer was so strong that he knocked Mr. Livingston into a poor third-place finish, persuading Mr. Edwards, who came in second, to drop out rather than face a humiliating result in the runoff.

In Mississippi, matters were only slightly different. The state auditor, Ray Mabus, went into the cam-

aign with broad support, and his overwhelming victory in the Democratic primary was not nearly the surprise that Mr. Roemer's or Mr. Wilkinson's was.

What Mr. Mabus shared with those candidates, however, was an anti-establishment image, in this case based on achievements in battling corruption in local Mississippi government.

Harris Diamond, a consultant to Mr. Roemer's campaign, says all three races have important things

to say about future U.S. politics. In the first place, he says they demonstrate that the power of local politicians to deliver votes is at a record low.

"The old-boy network is dead," Mr. Diamond said. "Roemer, Wilkinson and Mabus all ran without — and against — the courthouse crowd."

Absent ideology, bossism or tradition, what was left was television. John D. Deardourff, a leading Republican media consultant, said: "I really take to the end of the campaign now for voters to really get a fix on people."

"For most people," he said, "the electoral process is a 72-hour phenomenon. It puts much too high a premium on the work of people like me."

Mr. Diamond said the trend toward last-minute voting decisions reflected the extent to which voters were repelled by, and impatient with, the demands of politics.

Last-minute politics may, in fact, be coming back to haunt Mr. Mabus in Mississippi. Though he led all summer over Jack Reed, a Republican, he has been steadily dropping in the surveys and was said to face a far closer contest than expected.

Even Mr. Wilkinson, in the Kentucky gubernatorial race, has suffered from last-minute changes of heart in the final weeks of the contest. His once-overwhelming lead over John Harper, a Republican state legislator, appears to have slipped, though Republicans concede it would take a miracle for Mr. Harper to win.

If there is a lesson for 1988 presidential politics, it may be that, especially in the Democratic contest, where the candidates are neither well-known nor especially easy to characterize philosophically, the early standings mean less than usual.

AMERICAN TOPICS

Using Econometrics In Buying Bordeaux

Where does a serious wine buyer or collector find the most trustworthy information on Bordeaux and Napa Valley red wines? Not in the "sensory evaluation" of wordy wine critics, says Orley Ashenfelter, an economics professor at Princeton University, but in long-term temperature and rainfall data.

Mr. Ashenfelter, who specializes in econometrics, the application of statistics to economic problems, publishes a wine newsletter, "Liquid Assets." An associate collects weather data from public records at Merit Airport in Graves, near Bordeaux. Mr. Ashenfelter said the data correlate fairly predictably with vintage quality.

"It is no secret that hot, dry summers are the key to a high-quality red Bordeaux vintage," he wrote. From 1952 to 1985, he noted, the median August-September rainfall was 126.5 millimeters (4.9 inches). The median July-August temperature was 19.4 degrees centigrade (66.6 degrees Fahrenheit). "The only summers in this period with below-median warmth and above-median rainfall were 1954, 1956, 1958, 1960, 1963, 1965, 1968 and 1972," Mr. Ashenfelter wrote. "These vintages sell at auction infrequently, but when they are sold it is typically at very, very low prices."

Overheard by Arlene Stern, a New York Times reader, in a hushed gallery at the Museum of Modern Art:

Mother (to small child): Now, remember, what is the first rule when we are in a museum? *Toddler (far the top of her lungs):* NO YELLING!

A subconscious desire in Washington for President Ronald Reagan to succeed, after a series of failed presidents, contributed to the news media's early portrayal of him as more popular with the public than he truly was, according to researchers at the University of California at San Diego. They found in their study of post-1945 opinion polls that Mr. Reagan was the least popular of all newly elected presidents dating back to Dwight D. Eisenhower.

Short Takes

Pregnancy among U.S. teenagers has declined slightly but is still much higher than in other industrialized countries, according to the federal Centers for Disease Control in Atlanta. Of every 1,000 American women aged 15 to 19 in 1983, 87 became pregnant, a drop of 1.6 percent from the 1980 rate. This contrasts with an 8.2 percent rise over the six years preceding 1980. In 1981, the pregnancy rate per 1,000 teen-age women was 45 in England, 44 in Canada, 43 in France, 35 in Sweden and 14 in the Netherlands.

Six days of questioning of a single prosecution witness by Daniel Davis, the defense counsel in a trial in Los Angeles Superior Court, came to an abrupt halt when Judge William Founders gave Mr. Davis a 10-minute warning and then announced, "Cross-examination is now at an end." He later told the persistent lawyer to "sit

NATO Discusses Placing New N-Arms in Europe

By R. Jeffrey Smith
Washington Post Service

MONTEREY, California — Defense ministers of the North Atlantic Treaty Organization have gathered here to consider plans for deploying new nuclear forces in Europe after U.S. and Soviet leaders sign a treaty eliminating intermediate-range nuclear forces.

The classified plans, drawn up in recent months by NATO's High-Level Group of defense officials, are said to include options for deploying new fighter aircraft, battle-field missiles, air-launched cruise missiles and other weapons with nuclear warheads.

"These forces fall outside the purview of the treaty, which covers U.S. and Soviet medium- and shorter-range nuclear missiles."

A summit meeting between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, to sign the treaty is scheduled for Dec. 2 in Washington. The "double-zero" treaty would force the Soviet Union to dismantle its SS-20 mobile missiles as well as SS-4 and SS-20 short-range missiles.

face-to-surface" missile, which has a range of 74 miles and is deployed in West Germany, Britain, Belgium, Italy and the Netherlands.

Mr. Weinberger also spoke of the need to "increase the effective range" and "survivability of NATO aircraft capable of carrying conventional and nuclear warheads."

"In the absence of the Pershing-2a and ground-launched cruise missiles, this is essential" to provide the alliance with a capability to strike Soviet territory from Western Europe, Mr. Weinberger said.

There are 400 U.S. Poseidon submarine missile warheads, 1,071 nuclear-capable aircraft, and more than 1,000 tactical nuclear artillery shells that are not covered by the intermediate-forces treaty and available to NATO forces.

A third NATO option, which has aroused some protests from West Germany, is to deploy new battle-field nuclear artillery shells and increase their range to about 30 miles from about 12 miles.

The West Germans are said to be concerned that such shells will be used on their territory, and have recommended instead that NATO consider negotiating U.S. and Soviet reductions in such weapons. But other allied governments have opposed the negotiations as a step toward the "denudation" of Western Europe.



Ann Doré McLaughlin

Reagan Names Labor Aide

The Associated Press

WASHINGTON — President Ronald Reagan on Tuesday nominated Ann Doré McLaughlin, a former undersecretary of the interior, to succeed William E. Brock as secretary of labor.

"Welcome to the team," Mr. Reagan said as he announced her nomination at the White House.

Mrs. McLaughlin called the nomination "a very special privilege" that would give her "a special bond" with American workers.

There appeared to be little opposition among Democrats or union leaders to her confirmation by the Senate.

White House aides had said that Mr. Reagan wanted a woman in his cabinet. Elizabeth H. Dole announced her resignation as transportation secretary in September to work on the presidential campaign of her husband, Senator Bob Dole, Republican of Kansas.

Mr. Brock announced his resignation in October.

Mrs. McLaughlin, 45, resigned last March as the No. 2 official in the Interior Department following several disagreements with Interior Secretary Donald P. Hodel.

Anticipating the nomination of Mrs. McLaughlin, Rex Hardesty, a spokesman for the AFL-CIO, the largest U.S. labor organization, said Monday that the group knew "of nothing to recommend her or nothing to oppose her on."

"So," he said, "the AFL-CIO looks forward to working with the new secretary of labor."

Difficulties Arise in U.S. Budget Talks

New York Times Service

WASHINGTON — Negotiations between Congress and the Reagan administration to reduce the federal budget deficit have run into problems as Democrats charged that the White House was being inflexible.

At the same time, House and Senate leaders and a White House spokesman said Monday that a reduction in the cost-of-living increase for Social Security was not a concrete proposal in the negotiations seeking ways to reduce the deficit by at least \$25 billion.

[The Senate Democratic leader, Robert C. Byrd, charging Tuesday that President Ronald Reagan was not "wholeheartedly engaged" in the bargaining, said he was unhappy with the talks so far and was ready to move ahead with a Senate package of tax increases and budget cuts. United Press International reported from Washington.]

According to Democratic officials involved in the negotiations, which resumed briefly Monday afternoon, White House negotiators did not live up to the agreement to put all programs, except Social Security, on the table for discussion.

Instead, they said, the White House team retreated to Mr. Reagan's original budget proposals, insisting on a small package of increases in taxes and a mix of spending cuts that protects the military budget.

EINSTEIN'S RING

Four French astronomers said "Einstein's Ring," an optical illusion, was seen in the constellation of the Southern Cross.

The astronomers, including Jean-Claude Matheron, said the ring was seen through a telescope in Hawaii.

The phenomenon, Mr. Matheron said, is about seven billion light years old.

Adelman Doubts Strategic Arms Pact

By Jack Nelson
Los Angeles Times Service

WASHINGTON — President Ronald Reagan has little or no chance of reaching an agreement with the Soviet Union to reduce long-range missiles, Kenneth L. Adelman, director of the Arms Control and Disarmament Agency, said Monday.

He added that Mr. Reagan also faces substantial problems in seeking Senate ratification of the soon-to-be-completed treaty banning medium- and shorter-range nuclear weapons.

Mr. Adelman, who has announced plans to leave the Reagan administration after the December summit meeting with the Soviet leader, Mikhail S. Gorbachev, said he still expects the Senate to ratify the Intermediate Nuclear Forces treaty eventually. But he said Senate opponents would be emboldened by Mr. Reagan's political weakness in the aftermath of the Iran-contra affair and could try to attach "killer" amendments aimed at precluding ratification.

By the time political opponents have finished attacking it, Mr. Adelman contended, the agreement "won't seem like such a grand achievement." Although he said he supported the treaty, Mr. Adelman said that opponents could make "powerful arguments" that it was

U.S. to Curtail Japan Trade Sanctions

Compiled by Our Staff From Dispatches

WASHINGTON — The White House announced Tuesday that trade sanctions against Japan would be partially lifted, probably this week, following a finding that Japan had stopped dumping computer chips in foreign markets outside the United States.

Sanctions involving 100 percent tariffs on certain Japanese electronic goods and totaling \$300 million were imposed in April because of what Washington said was the dumping of computer chips in the United States and in third countries and the failure of Japan to open its markets to U.S.-made chips.

The chief White House spokesman, Martin Fitzwater, said that \$84 million in sanctions would be lifted "probably this week," leaving in place \$165 million in sanctions.

U.S. to Curtail Japan Trade Sanctions

measures relative to third-country pricing," the ministry said in a statement.

The Japanese ministry also said progress was being made on opening Japanese markets.

"Concerning the market access issue, MITI would like to emphasize, at this moment, that the situation has clearly been improved," the ministry said.

Dumping is the practice of selling products below cost to capture market share.

Japanese officials have said in the past that the lack of market penetration by U.S. companies is not due to Japan's policy but the failure of U.S. firms to meet Japanese standards. (Reuters, UPI)

Yeltsin May Face Discipline by Party

By Gary Lee
Washington Post Service

MOSCOW — A leading Kremlin official hinted Tuesday that Boris N. Yeltsin, the head of the Communist Party in Moscow and the center of a Kremlin flap, faces internal party discipline and could be dismissed.

Asked at a press conference here about a speech Mr. Yeltsin made at a meeting of the Soviet Central Committee on Oct. 21, Alexander N. Yakovlev, the Soviet propaganda chief, said: "We have our internal party affairs. If someone breaks the rules, then he breaks internal party discipline and he must leave."

Mr. Yeltsin, a nonvoting member of the Politburo, had been considered one of Mikhail S. Gorbachev's staunchest supporters.

Mr. Yakovlev, who is said to have come to Mr. Yeltsin's defense at the party meeting, dismissed as "fantasy," reports that Mr. Yeltsin had questioned Mr. Gorbachev's leadership and had complained about an "cult of personality" and the pace of perestroika, or restructuring.

He said instead that Mr. Yeltsin had supported Mr. Gorbachev's reforms.

According to some reports, Mr. Yeltsin has offered his resignation.

"This is not a fire," Mr. Yakovlev said in an apparent attempt to lessen interest in the affair. He added that the Moscow party would eventually examine the affair. "We are not in any hurry," he said.

The appearance of Mr. Yakovlev, 63, in connection with the celebration of the Soviet Union's 70th anniversary, gave him rare public exposure. He is said to be Mr. Gor-

At Least 4 Are Killed By Floods in Jamaica

Reuters

KINGSTON, Jamaica — Flooding caused by a tropical rainstorm in central and southern Jamaica killed at least four persons and left nearly 1,000 people homeless, the police said.

They said Monday that three bridges had been washed away and cut-power poles had been toppled, electricity to some areas.

Italy Kidnap Scap for a

SANSARI, Rome — A woman who was kidnapped in Italy last week has been released, police said.

The woman, who was kidnapped in the town of Sansari, was released after negotiations with her kidnappers.

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INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

Gorbachev: Pragmatism

In Beijing, Deng Xiaoping quietly passes power to the next generation to continue a new and pragmatic economic course. He won the battles to do so over the last decade. In Moscow, Mikhail Gorbachev struggles to follow a similar path. His speech to commemorate the Bolshevik Revolution was laced with the historical warfare of 70 years that still resonates in the Kremlin. The ceremony in Beijing may be of more lasting significance, but the speech in Moscow holds more immediate importance. It opens a window into the mind and circumstances of the man who leads the second most powerful nation in the world and who will come to the United States in December for fateful negotiations. Two things stand out about his address Monday. He was decidedly the pragmatist, threading his way through past and present land mines. He was less startling in condemning past evils than Nikita Khrushchev in his famous Party Congress speech in 1956. But while Mr. Khrushchev's speech was secret and took years to seep into full view, Mr. Gorbachev's was carried live on Soviet television for almost three hours. The new Soviet leader disappointed all who expected him to tell the whole truth about Soviet history. That so many had such high hopes shows how far toward openness Mr. Gorbachev has come. The disappointment shows how far he has to go. His speech also showed just how surrounded he is — by friends and enemies, ghosts and fellow leaders, the party elites and the masses. Lenin, of course, was praised without qualification for his "swift change of form and method, flexibility, unusual tactical solutions, political audacity..."

When Mr. Gorbachev took up the Stalin era, he demanded that his comrades face "the bitter truth" — then hedged. He called Stalin's crimes "enormous and unforgivable," then reduced the millions who died in the purges and collectivization to "many thousands." It is tempting to see a compromise between Boris Yeltsin, the Moscow party leader who presses for faster change, and Yegor Ligachev, the second in command who resists blackening of the party's record. Mr. Gorbachev saved real favor for his reforms. Some critics, he said, are too timid, and "prefer to keep kicking off the slip-ups" rather than seeking solutions. Others are "overly zealous and impatient." Reflecting the dilemma of a man who must at once exhort his people to greater activism and reassure them on food prices and job stability, Mr. Gorbachev urged the cautious combination of "revolutionary restraint." There is an important message in this for the West, as the Reagan administration prepares for the Soviet leader's visit to Washington. Mr. Gorbachev is sufficiently confident of his personal power that he goes directly to the Russian people. But he is sufficiently wary of support for his policies to tread carefully. Once again, this should warn the West against the unrealistic expectations. Mr. Gorbachev is bound by his own history, culture and political system. As a pragmatist, he never forgets that. The West shouldn't either. — THE NEW YORK TIMES.

Deng: Great Experiment

Characteristically, Deng Xiaoping, the octogenarian leader of China's latest and most promising phase of modernization, made astute political use of his retirement. He dragged out with him almost half the members of the Communist Party's Central Committee and Politburo, most of them, like him, the heroes of the old guard, but most of them, unlike him, footdraggers on reform. He arranged to retain, for now, anyway, chairmanship of the party commission that oversees the military. And his protégé, Prime Minister Zhao Ziyang, takes over as party leader. Not only has Mr. Deng survived revolution, war, purge and privation, he has had the wit to see that China had to start matching the material standards and competition of the industrialized democracies and that it could do so only by embracing, selectively, their ways. Nine years ago he instituted a program of change that in its conceptual boldness and achievement surpasses anything the cautious Soviets even now are contemplating. Westerners note, with pride and a bit of smugness, that the Chinese are hitting their economy from the rigidities of central planning and adopting certain aspects of a free market. The Chinese insist, however, that they are building a "primary stage of socialism" in which escape from lingering "semi-feudal" and "semi-colonial" conditions and the clutches of the bureaucracy will take until the middle of the next century. Thus, though reform is hailed as China's liberation, it is to proceed at a very gradual pace — a pace slow enough for the Communist Party, even while it loosens its grip at the local level on some activities, to retain monopoly control at the top. Or so it intends, anyway. Mr. Deng realized that Mao's Cultural Revolution was strangling China as well as brutalizing its people and that reform could advance only when China had entry to the world economy and no longer was in a state of international siege. This dictated a foreign policy of general accommodation, especially with the West. It gives the United States a huge stake in the success of the great multi-decade experiment that Mr. Deng is bequeathing, he hopes, to friendly heirs. — THE WASHINGTON POST.

Don't Slam Shut the Door

The U.S. Congress passed the Immigration Reform and Control Act last year to make it harder for new illegal aliens to stay in the country — and easier for old ones. The act provided amnesty for aliens who had been in the United States since at least 1982. But they were given only 12 months to apply, and even that time has been constructed. Fairness alone would impel Congress to keep the legalization door open an additional year, to May 4, 1989. The first goal was to deter illegal immigrants by forbidding employers to hire them. Early evidence indicates that this goal is being met. The second goal was to bring out of the shadows hundreds of thousands of aliens who have lived in the country illegally, and furiously, for years. This goal has been less well met. Many of the eligible aliens need more time to apply. The Immigration and Naturalization Service did not start taking applications until May 5. So far, across the nation, less than a million "legalized" have applied for legalization. INS legalization offices are operating at 50 percent capacity in the West and only 20 percent in the East. If these rates continue, the program will legalize far fewer aliens than anticipated. Also, the approval process has been painfully slow. Only 75,000 amnesty requests have been granted. The most effective way to spur applications is to decide cases and let beneficiaries spread the word. It comes as no surprise that the Immigration Service is still ironing the wrinkles out of this massive effort. There have been computer problems. National and regional information campaigns take time to develop. Outreach and networking have been inadequate. It takes vast effort to penetrate thousands of alien enclaves. In addition, clarification is needed for regulations about length of continuous residence, proof of employment and policies regarding the protection of family members. Aliens, some daunted by language, have hung back. Some do not understand the new law. Some fear, incorrectly, that even if one member of a family is eligible for amnesty, a spouse, parents or children could be deported based on information on the application form. There must be time for accurate information to be disseminated and digested, and for understanding and trust to develop. The Immigration Service is, after all, the agency that deports people. The Immigration Service has worked hard to make the amnesty program work. By extending legalization to May 4, 1989, Congress would ensure that it does. — THE NEW YORK TIMES.

Other Comment

Do Russians Want Change?

The growing resistance to perestroika, or restructuring, of which Mikhail Gorbachev spoke is a worrying phenomenon, but it did not prevent him from saying, on the Politburo's behalf, that the reform program would continue. But in the running of Moscow itself there have been signs that disagreement about pace has become disagreement about policy. And in factories, people unused to taking decisions resist the process Mr. Gorbachev has set afoot and calls democratization. The big question is: Do the Russian people want the changes Mr. Gorbachev is determined they shall have? Are they so accustomed to obedience and confinement, like birds in a cage, that they could not think of how to handle the democratic socialism Mr. Gorbachev offers them? That looks like a real danger, for, presumably, the relaxation of authority allows people to choose authority if that is what they prefer. Unfortunately there would be many among

Mr. Gorbachev's listeners in the Supreme Soviet who would applaud such a course. — The Guardian (London).

The Peril of a House Divided

Last Thursday, Attorney General Edwin Meese seized control of the U.S. presidency, jerked it hard to the right, and won Judge Douglas Ginsburg's nomination to the Supreme Court. A few days earlier, Chief of Staff Howard Baker and Secretary of the Treasury James Baker had captured the White House and ousted it slightly to the center, when moderates got Ronald Reagan to say he was willing to negotiate a tax increase with Congress. But the times are too perilous to allow the luxury of ideological holy wars. Resolution of the critical issues of the day — the economy, the Gulf, arms control — demand a united, rational White House working in concert with Congress. — The Los Angeles Times.

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As America Stumbles, Japan Is Ready to Run

By Kenichi Ohmae This is the first of two articles.

TOKYO — Let's be blunt. Americans have mismanaged not only their economy but the world's. And many of us in Japan feel it is about time we stopped doing their bidding. The United States has been calling the shots and sending conflicting economic signals for a decade. It has expected the rest of the world, especially Japan and West Germany, to underwrite America's inability to come to grips with its own problems. Now, as its problems are becoming critical, America wants Japan to come to the rescue, to carry a heavy share of its burden. There may be some good reasons for that — and we Japanese have tried to comply — but Americans cannot expect to continue to exercise sole leadership. The era of American hegemony has to end. We Japanese, along with a few European countries, have the right, and the obligation, to share leadership with the United States. We must assert more control of our own affairs and begin to deal with our problems in a way that is right for the world, not just America or Japan. The Asahi Shimbun, Japan's biggest circulation newspaper, recently carried a cartoon in which Big Brother, the United States, summons a Japanese official to do something. And the government acts promptly. The next frame of the cartoon shows a package tour of Japanese citizens flying on a jumbo jet to Washington.

There they ask Uncle Sam to tell the Japanese government to reduce taxes in Japan, lower real-estate prices, change the education system and eliminate pollution. The joke — all too true — is that the Tokyo government listens to the United States more than to its own citizens. Another cartoon, which appeared during the dollar's sharp fall last spring, showed a muscular American pushing the head of a Japanese down into a basin of water. The more he pushed down, the higher the yen rose. These cartoons capture some of the feelings of Japanese today. They are frustrated with their government's inability to change the status quo, even in some ways that ultimately would benefit the United States. They note that not a single sentence of Japan's constitution has been altered since it was drafted by General MacArthur's occupation army after World War II. They see many of Japan's tax, land and educational problems as having been "drafted" back then as well. They ruefully believe that the U.S. government is the most powerful force for inducing necessary changes in the methods of government. This unfortunate reality, I believe, is rooted in the styles of American leadership and Japanese follower-ship. America's remains the over-

bearing style of hegemony. This style must change to reflect the growth of its "enemies," such as Japan, and the changed attitudes and priorities of its "enemies," such as the Soviet Union. This American conventional wisdom, coming perhaps from the military practice of dividing everyone into allies and enemies, is becoming obsolete. Even as the Soviet threat seems to diminish, America has begun using such expressions as "high-tech enemy" to describe Japan, or speaking of a "trade war" with Japan. As these pressures built up, the American mass media have mostly reported American viewpoints about who is to blame. Few Japanese have spoken up, and few Americans were patient enough to listen when they did. Here are only a few illustrations of what has been going wrong: • In the early 1970s, there was heated debate about color televisions. Quotas and tariffs on color TVs forced most Japanese companies to produce in the United States to overcome trade restrictions. Meanwhile, most U.S. manufacturers left their country to produce in Mexico or Asia. • For 20 years after the war, Japan had trade deficits with the United States. It worked hard to increase its exports, despite the odds against such a small country ever being able to

compete with such a smart giant. And now the United States is frustrated with its own huge trade deficits. The United States explains the imbalance by saying Japanese markets are closed to the Americans. So the Tokyo government has devised a series of "action plans" to rework tariffs and other trade restrictions. Today Japan's trade practices are among the most liberal in the world. So the U.S. argument changed to focus on nontariff barriers, claiming that the long chain of distribution and trade practices made it difficult for Americans to succeed. But what about IBM, with \$6 billion in sales in Japan? What about Coca-Cola, with a 70 percent share of the Japanese soft-drink market? Well, they say, they are exceptions. They are no longer American companies. They are multinationals. It so happens that these "multinationals" have come to Japan to produce and sell some \$44 billion worth of goods to the Japanese that the United States does not count as U.S. exports to Japan. That is the reason for the imbalance — not the access, not the fairness. The writer is the managing director of the Tokyo office of McKinsey & Co., a New York-based management consulting firm, and author of "Beyond National Borders." He contributed this column to The Washington Post.

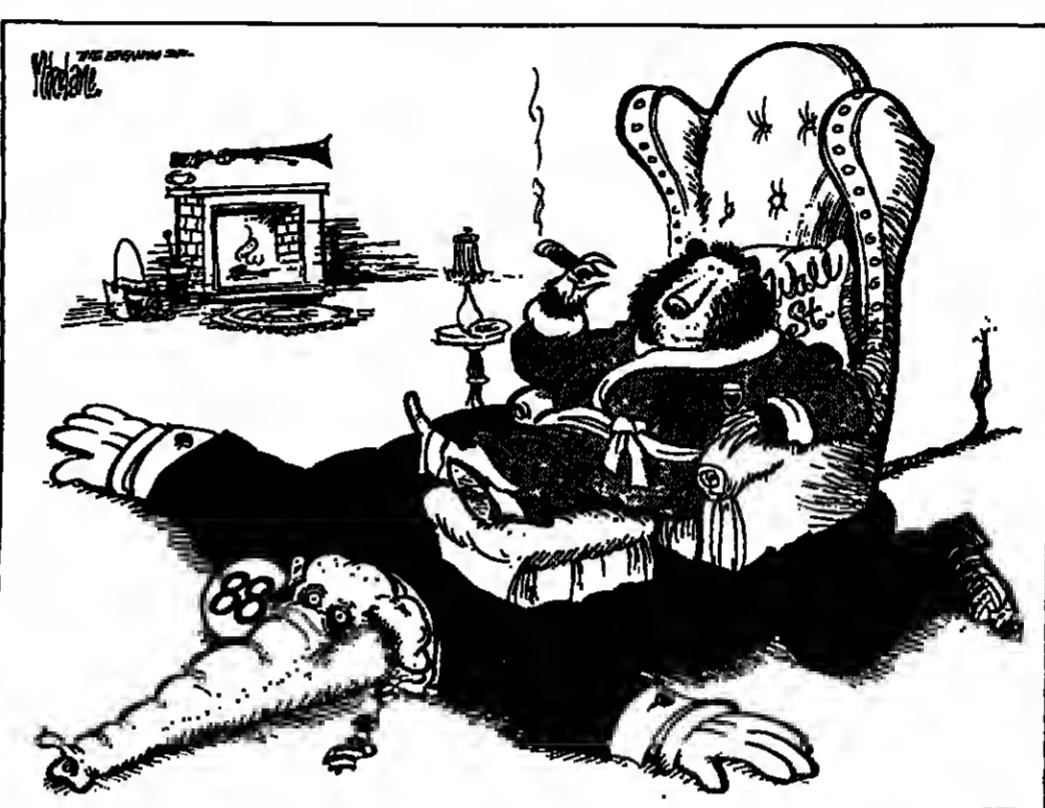
Takeshita's Adroitness Should Help

By Jiro Tokuyama

TOKYO — In helping choose Noboru Takeshita as the next president of the Liberal Democratic Party, and hence as Japan's next leader, the outgoing prime minister, Yasuhiro Nakasone, was seeking above all to preserve party unity. Mr. Takeshita and the other candidates for the party presidency — former Foreign Minister Shintaro Abe and Finance Minister Kiichi Miyazawa — have similar approaches to dealing with the urgent issues facing Japan, including economic friction with the United States, tax reform and land prices. The problem was how the party could avoid discord and close ranks to carry out the policies. Mr. Nakasone realized that the influence of Mr. Takeshita, who heads the party's largest faction, with 114 members in the Diet, could not be ignored. Since Mr. Takeshita is an old friend of Mr. Abe's and has the support of Toshio Konoike, another faction leader, his appointment as party president would ensure stability. And Mr. Takeshita, known for his prudence, could be expected not to do anything to alienate Mr. Miyazawa. Still, doubts remained. The first concerned Mr. Takeshita's cautious political style. He likes to draft a scenario, let others have their say and, after watching the trend, reach a solution that enmeshes all to save face. This has proved an effective method. His ability to lay the groundwork and look after his followers is one of his strong points. "I do the sweating and others take the credit," he says. But Japan now faces an uncertain future. The international situation is changing rapidly. There may not be time, some critics say, for Mr. Takeshita always to await consensus. His supporters disagree. A coordinator like Mr. Takeshita, they say, is exactly what Japan needs. The prime minister is faced today with the difficult task of balancing the vested interests in the country. At the same time he must have the toughness, as Mr. Nakasone did, to oppose the vested interests when it is for the greater good of the nation.

Mr. Takeshita showed his competence during the party's presidential campaign. Kestling calls from younger Diet members for a vote, he persuaded the way for Mr. Nakasone to choose by arbitration. Facing a possible split in the Abe-Takeshita alliance, he maneuvered for the support of both the Komoto and the Nakasone factions. And after he was chosen, he pledged to pursue politics of "bold ideas and implementation." A second doubt concerned his lack of experience in international affairs. At age 47, he became chief cabinet secretary under Prime Minister Eisaku Sato. He served twice as finance minister under Mr. Nakasone, and was the ruling party's secretary general when named to be its president. He has never been foreign minister. As finance minister, however, he gained international experience at summit meetings and meetings of the Group of Five industrialized nations. Moreover, domestic and foreign policy issues have become increasingly intertwined in recent years. And such external problems as agriculture and the removal of nontariff trade barriers involve vested interests that must be dealt with at home. Mr. Takeshita's adroitness in domestic affairs will be useful. In foreign policy, Mr. Takeshita, like Mr. Nakasone, will emphasize Japan's role as a member of the free world and its ties to the United States. Mr. Takeshita probably will visit Washington soon. He is to attend the summit meeting of the Association of Southeast Asian Nations next month in Manila and to visit Seoul early next year. He will place high priority on improving relations with China. How closely will Mr. Takeshita be influenced by Mr. Nakasone? Crucially, a meeting Oct. 15 with the prime minister, Mr. Takeshita said. "I have my own views regarding foreign policy, but I will listen carefully to your opinions."

The writer is senior adviser to the Mitsui Research Institute and a former dean of the Nomura School of Advanced Management. He contributed this to the International Herald Tribune.



The Biggest Danger Is Deficit Hysteria

By Laurence J. Kotlikoff

BOSTON — The panic that engulfed Wall Street on Oct. 19 seems to be subsiding. Now, if the hysteria about the U.S. budget and trade deficits can be calmed, the economy may have a chance. While deficit hysteria comes in a variety of forms, the standard refrain is that the "twin towers" are distorting the U.S. economy, pushing down the dollar's value, raising interest rates, saddling future generations with debt and threatening the country and the world with severe recession. The cure, it is said, is to cut the budget deficit by \$23 billion, to at least send a signal that "someone is minding the store." The true story is that conventional budget deficits tell us next to nothing about fiscal policy. It is not a matter of control, or responsible for the evils that are so commonly ascribed to it. In fact, a broader look suggests that the fiscal policy in the 1980s has been tighter than in the 1970s. Yes, the United States has run large budget deficits in the 1980s. However, the ratio of total government debt — federal, state and local — to gross national product is not particularly high. Mr. Nakasone measured against those of other nations or those of the past in the United States. Today, America's net government debt is about 30 percent of GNP, roughly the same as in Japan, Canada or West Germany, and much lower than in Italy or Britain. Currently, U.S. gross federal debt — not counting government assets — amounts to 54 percent of GNP, compared with 96 percent in 1950, when the country was emerging from World War II. While the 1950 debt burden may have hindered growth, it

certainly didn't stop it. Since 1950, U.S. productivity and per capita disposable income have more than doubled, and the real economy has increased by a factor of three. We also need to distinguish between real and nominal debt; that is, to figure in the effects of inflation. Real U.S. federal debt will increase only slightly this year, even after adding in the 1987 deficit of \$148 billion. That's because inflation will have reduced the real value of the federal debt by about \$100 billion. If Washington succeeds in cutting the deficit further, the country could actually run a budget surplus in 1987, after correcting for inflation. By focusing on the budget deficit, we also miss two policy changes that were fiscally very conservative. The first is the 1983 Social Security legislation, which cut future benefits. The change was the fiscal equivalent of running a \$1 trillion surplus in 1983, but that didn't show up in the official deficit figures. In effect, the 1983 law took away most of the fiscal stimulus of the Reagan tax cuts of the 1980s. If Social Security liabilities are added in total government debt actually would have declined slightly since 1980. The second thing missed by the deficit obsessors was the effect of the greater emphasis on investment incentives in the 1981 tax law. The incentives made new investment relatively cheap and lowered the value of existing assets. In effect, the change brought older people, who owned existing assets, and helped the young, who could take advantage of the enhanced tax incentives to buy new assets more cheaply. This highly conservative policy, which was passed in 1986, produced the equivalent of roughly \$300 billion in added revenue in 1981. Taking account of the changes in Social Security and the tax laws leads to a startling conclusion: Fiscal policy was fairly tight throughout the years 1981-86; much tighter than in the 1970s, when the liabilities of Social Security were more than doubled. We should also think about fiscal policy in light of the stock market crash. In the last month, older investors, who hold a disproportionate share of securities, have lost almost \$1 trillion. Their loss, however, is a gain for the young, who get to buy up the same physical assets at lower prices. This "intergenerational transfer" acts like a tax increase, soaking older people so that the young can enjoy the benefits at a later date. Thus, in terms of fiscal policy, the \$1 trillion market decline has achieved the equivalent of five years of \$200 billion fiscal surpluses. What about the other debt bugaboo, the trade deficit? Yes, the United States is running a large trade deficit. But so, it is not in any real sense a "debtor nation." Total (private plus government) wealth is roughly \$15 trillion. Of this \$15 trillion, less than 2 percent is owned by foreigners, after factoring out American ownership of foreign assets. Contrary to conventional wisdom, foreigners do not owe 2 per-

cent of U.S. wealth because the country borrowed from them to go on a consumption orgy. Foreigners own 2 percent of U.S. wealth because they decided the United States was a good place to plant their savings. The United States has a lot of wealth to eat up before it needs to borrow from foreigners to consume. America is a good place to invest, and it is quite natural that international investment is returning after more than four decades. This perfectly natural process may continue for years; recall that the United States ran trade deficits throughout most of the last century, to the nation's great benefit. What is the best policy course? Rather than trying to manage the dollar, which may not be possible in any event, the government should aim at avoiding a recession, which is a much bigger worry than a moderate increase in inflation. To this end, the Federal Reserve Board should expand the money supply moderately, to lower short-term interest rates. Americans need not be frightened by the silly notion that a falling dollar will drive away all foreign investment, bringing on a currency crisis as foreigners try to withdraw their money en masse. In fact, that divestment already occurred, with the drop in the stock market and last week's drop in the dollar. This is the day after, out the day before, and it's time to pick up the pieces. Deficit hysteria has become a dangerous national pastime. Fixing on these arbitrary numbers could lead to irrationally tight fiscal policies and damaging trade restrictions. The United States needs to consider more meaningful measures of fiscal policy, and to drop its obsession with official deficit numbers. The writer is chairman of the economics department at Boston University and research associate of the National Bureau of Economic Research. He contributed this to The New York Times.

100, 75 AND 50 YEARS AGO

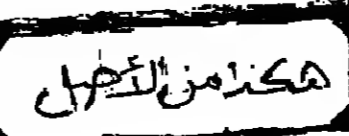
1887: Protecting Balfour BIRMINGHAM, England — Remarkable steps are being taken to protect Arthur James Balfour, the Irish Secretary, during his visit to Birmingham tomorrow (Nov. 4). A body guard of young conservatives is being formed to line the streets, from the station to the town hall, and already over 2,000 applications for enrollment have been received. The detectives say they have no information of any dynamites being in the town.

1912: Bulgaria's Fever PARIS — [The Herald says:] With the Bulgarian army almost at the gates of Constantinople and all reports, utterly routed, the time for the intervention foreshadowed by the Powers appears to be at hand. But with Tsar Ferdinand's army flushed with victory and determined to see through the task it set itself, the question arises: Will mediation be accepted? If the semi-official organ of the Bulgarian Government, the Mir, is to be taken as truly reflecting national opinion, Bulgaria is no longer disposed to place the settlement of her claims in the hands of a third party.

1937: Far East Talks BRUSSELS — The Nine-Power Conference on the Far East, which opened here (Nov. 3), split into three groups. The first is the democratic bloc, America, Great Britain and France, which lined up for the restoration of peace between Japan and China. The second group, China, backed by Soviet Russia, declared peace impossible so long as Japanese aggression persisted. The third, Italy — isolated in this conference, but obviously the mouthpiece of the two other dictator countries, Japan and Germany — virtually advised the Chinese to get what terms they could from the Japanese. The plan of extending another invitation to Japan to attend is still being considered.

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The Irresistible Rise of Comrade Zhao, from Dunce Cap to Violet Tie

By Edward A. Gargan
New York Times Service
BEIJING — Twice in recent months, Prime Minister Zhao Ziyang said he did not want the job. "I'm not that fit to be the general secretary," he told an American television interviewer

just one month ago. "I'm more fit to look after economic affairs." But despite his seeming preference for governance over politics, Mr. Zhao on Monday was named general secretary of the 46-million-member Communist Party. Even then he was demurred. "Personally speaking," he said, "I'm still more suited for the position of prime minister."

Mr. Zhao, 68, has held the post on an acting basis since January, when Hu Yaobang was forced to resign after nationwide student protests.

With the retirement of nearly every aged revolutionary from China's leadership, and the decision by Deng Xiaoping to step out of the limelight, Mr. Zhao, who first injected a note of sartorial revisionism into the leadership with his sharply cut Western-style suits and iridescent violet ties, now dominates Chinese politics.

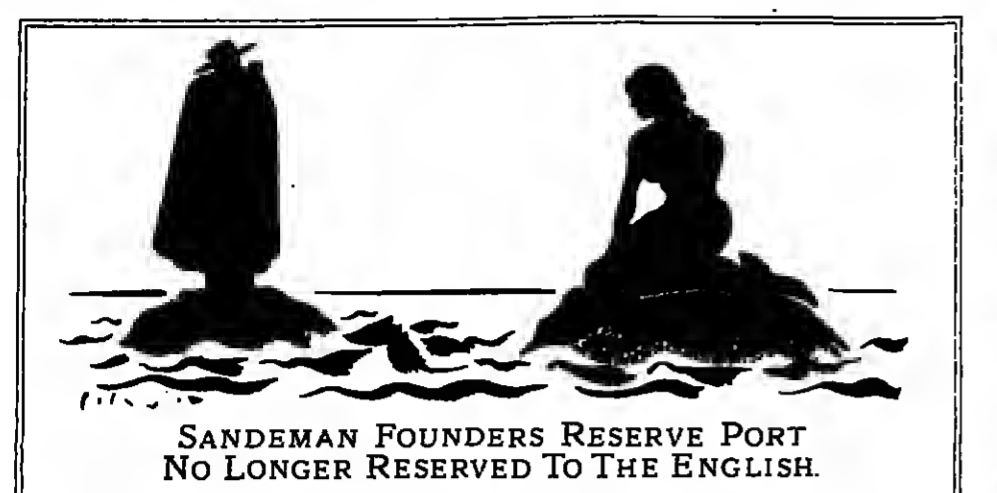
For the last week, he has directed the proceedings of the 13th Congress of the Communist Party, a gathering usually held every five years to approve the party's policies and new leaders. He opened the proceedings with a forceful and detailed exposition of his plan to continue the reshaping of China's economy by relying still more on capitalist techniques.

Although known as a pragmatist who has to an impressive degree succeeded in manipulating China's massive government bureaucracy to his will, and who has made inroads against local party bosses who oppose some of his policies, Mr. Zhao emerged this week as the party's leading theoretician of reform, a stance critical to his success as party leader.

In his remarks to the congress, he said that far from being well along the road to the socialist paradise that Mao had envisioned, China was still in the "primary stage of socialism," a condition of pronounced underdevelopment.

In this stage, he declared, he would endure for more than a century, virtually any economic practices are permissible as long as they contribute to the modernization of the country.

When the effects of the Cultural Revolution began to be felt in Guangdong, Mr. Zhao exhibited a political malleability that has characterized nearly all of China's political leaders whose careers began after 1949. At a rally staged by the Red Guards, for example, Mr. Zhao called on the young zealots



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Saudi King Will Not Attend Arab Summit

By Yousef M. Ibrahim
New York Times Service

PARIS — Hopes that an imminent meeting of Arab heads of state in Beirut, Jordan, would bring a unified Arab position on relations with Iran received a severe setback Tuesday when King Fahd of Saudi Arabia said he would not attend the gathering.

The Saudi monarch is the second Arab leader to say that he will not attend the meeting. While the decision Monday by Colonel Moammar Qaddafi, the Libyan leader, to boycott the meeting came as a relief to many Arab leaders, King Fahd's announcement triggered fears that the first Arab gathering of heads of state in five years might collapse before it starts Sunday.

"This is a very serious blow to the meeting, regardless of the reasons," said an Arab official in the Gulf who asked not to be identified. "It tells of the degree of tension that surrounds the summit. The king has always avoided controversy. His decision means all hope for a semblance of unity is evaporating."

Other Arab sources in the Gulf and in Amman noted that the news came as a surprise. A Jordanian official was expressing optimism as recently as Tuesday morning about King Hussein of Jordan and King Fahd teaming up to provide a broad consensus at the gathering, not only about Iran but also about resolving some sort of normalized relations with Egypt. Egypt has been excluded from the Arab League since 1979, when it signed a peace treaty with Israel.

Soviet Effort to Mediate in Iran-Iraq War Fails

By Loren Jenkins
Washington Post Service

ABU DHABI — A Soviet effort to mediate an end to the Iran-Iraq war has failed, according to foreign diplomats and Arab observers here.

The initiative by Yuri M. Vorontsov, a first deputy Soviet foreign minister, ended Sunday in Tehran as Iran made clear that it had no interest in accepting the cease-fire called for in a United Nations Security Council resolution.

Mr. Vorontsov, diplomats said, visited the Gulf area last week hoping to convince Iran to accept the resolution so that Moscow would not face the prospect of approving an arms embargo against Iran.

Both the Arab world and Iran are just too important to the Soviet Union for them to turn against it, the diplomat continued. Therefore, the diplomat said, the Kremlin "will temporize" and ensure that an embargo resolution will be "weak and insignificant."

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ARTS / LEISURE

'Lettice and Lovage': Urban Havoc

By Sheridan Motley
International Herald Tribune

LONDON — The play that brings Maggie Smith back to Peter Shaffer for the first time in more than 20 years is a weird and wondrously ramshackle saga of two middle-aged spinsters bent on demolishing modern London landmarks in order to reassert the supremacy of the romantic historical past over a present of urban and spiritual blight.

stomach and Richard III's bump, is the one we never actually get to meet.

We do, however, get to meet the Margarets Smith and Tyzack, who duly form an odd-couple team of amazing and touching credibility. Whether acting out the daft charades organized by Smith as Lettice (a growth that, as she notes, was one of God's mistakes; Lovage is merely an herb of miraculous properties) or setting out to wreak urban terror, they are the best double act in town, one much aided at the last by Richard Pearson as an understandably bemused solicitor in Michael Blakemore's marvellously adroit production.

There are still moments when this is a play saved only by its two central performances. After the major two-man conflicts of "Equus" and "The Battle of Shrivings" and "Royal Hunt of the Sun" and "Amadeus" and then the biblical sprawl of "Yonadab," it is clear that Shaffer is looking toward something very much lighter, a personal gift maybe to Maggie Smith and also something that Graham Greene would have placed among his entertainments rather than his major work.

Shaffer also clearly has something he wants to tell us about the awful architectural and social drift of modernity, the way that the past impinges on the present. The form he has used is that of a fable rather than a drama.

What Lettice resents is not only what we have given up, but what we have become. She lives in a Victorian vicarage basement in Earls Court, dreams of Mary Queen of Scots and her own mother going over the top on French tours, and finally accepts that fantasy floods in where fact leaves a vacuum. Yet her beloved past is in fact a totally

phony past of stage tours and tourist traps and over-illustrated history books. Her determination never to do anything merely brings her close to one of the pavement loonies who end up as bag ladies, instead of someone whose views on the awfulness of all modernity we can take very seriously.

Certainly she is a blaze of color (even when not wearing the blood-

THE LONDON STAGE

red dress of Mary Queen of Scots on the scaffold) against the clenched, cropped grayness of Tyzack, and that makes their eventual reconciliation and love for each other all the more touching, but it still doesn't give us much of a play.

In a world getting uglier by the minute, where she can't even read the writing on the wall because it is in Iranian, Lettice demands a return to her mother's fighting motto ("Enlarge, enliven, enlighten") but is in the end gleefully setting off to complete the destruction of London that was started, as she notes, not by German bombers but by British architects of the 1950s.

There is a distinct contradiction here, and in his determination to build a comic showcase for the two Margarets rampant, Shaffer seems to have given up on too much logic. The result is an evening of charades, culminating in Smith, heavily disguised in wig and beard as the executioner of Charles I, accepting happily that every woman's home is also her scaffold.

At its best, this is a very odd love story and at its worst simply a yelp of pain from someone who can't get the modern world to make any kind of sense on her own exotic scale of values. The final victory of Blakemore's production is that what could have been no more than a coy

whimsy is the finest-played comedy in town.

Thelma Holt's "World Theatre" season at the National, which has been one of the great and powerful joys of this London year, came to an end last week with a brief visit from Moscow's Mayakovsky company, presenting as the Lytzelton Boris Vassiliev's "Tomorrow Was War." As new Soviet drama this turned out to be more than a little unexpected: a long, poetic, nostalgic piece set among a school of 16-year-olds in the summer of 1940 but recalled through the horror of the war which came to Russia immediately afterward, killing most of those we have grown to know. Like "A Summer of '42" on the other side of the political world, it suggested a moment of lost dreams; but the story was one of betrayal and suicide in the name of Soviet orthodoxy, and the message was that politics can kill A.A. Goncharov's production wonderfully caught a group of innocent teenagers already saying goodbye to something they had barely begun to understand, but what made a long and often unconvincing evening so moving was Vanessa Redgrave's lyrical and live delivery of the translation over the headphones. It is difficult to think of another actress in the world who could with one single voice have brought an alien play so close to the hearts and minds of its audience.

At the Orange Tree in Richmond, Sam Walters has a discovery of considerable fascination in the first (1946) and hitherto unproduced play of John Whiting who was to go on to "The Devils" and "Sain't Day" and "A Penny for a Song" before dying at the tragically early age of 45. What this suggests is that he would have been, had he

continued to write in this early vein, the most direct bridge from Coward to Pinter: a writer of light domestic comedy, yet with something very sinister going on underneath.

The setting for "No More A-Roving" is a country-house weekend to which a faintly furtive boat-builder has invited two old friends not seen for eight years, during which there has been a world war and one of them has gone on to fame and fortune on Hollywood.

The reunion proves more than a little uneasy. Whiting is writing about the way the past impinges on the present and also about the intense sexuality of the British at their most properly behaved. He chose to go on from there toward a kind of poetic drama that never quite captured the imagination or the loyalty of a 1950s audience.

Had he stayed with the comic menace of "No More A-Roving," Whiting's career might have worked out very differently indeed.

Walters directs a strong cast headed by Brian Deacon as the vacuous movie star, Rob Edwards as his strange host and Joan Moon as the girl they once and maybe still share.

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Sting, Springsteen and Waits: Expanding the creative limits of commerciality.

Invasion of Smart Rock

By Mike Zwerin
International Herald Tribune

PARIS — Yes, Kiss, Squeeze, and Madonna notwithstanding, smart rock is invading the charts. Suzanne Vega's "Solitude Standing," Mick Jagger's "Primitive Love," Pink Floyd's "A Momentary Lapse of Reason" and John Cougar Mellencamp's "The Lonesome Jubilee" are aimed at adult minds. And the creative limits of commerciality are expanded by three new releases from established names. Not since the heavy days of Steely Dan has such all-around quality been in the top 100.

Sting, "Nothing Like the Sun" (A&M): The marriage of Weather Report and Police, a happy couple, a summit meeting.

Along with Stevie Wonder, Terence Trent D'Arby and a handful of others, Sting is one of an endangered species, the songwriter — complete songs, words and music, songs to sing in the shower, hum on the street, pick out on a piano, songs to remember.

The title comes from Shakespeare's "My mistress's eyes are nothing like the sun." Shakespeare is always useful for calming down violent drunks, says Sting, whose combination of meaningful lyrics with rock, folk, Latin, reggae and jazz elements tends previous definitions of "fusion" obsolete. The musicians include Branford Marsalis, Kenny Kirkland, Eric Clapton, Mark Knopfler, Andy Summers (ellow ex-Policeman), Minu Cmelu, Mama Katucha, Rubin Blades, and the Gil Evans Orchestra (on Jimi Hendrix's "Little Wing").

"They Dance Alone" is a guess, a Chilean courtship dance that the wives, daughters and mothers of the "disappeared" dance with — as

Sting explains in his liner notes — "photographs of their loved ones pinned to their clothes." "Fragile" is about a situation in which "it's becoming increasingly difficult to distinguish 'Democratic Freedom Fighters' from drug dealing spiritual gangsters." Englishman in New York "is about a friend who told me over dinner that he looked forward to receiving his naturalization papers so that he could commit a crime and not be deported."

"Rock Steady" is exactly that. And Gil Evans "reminds me of one of those wise elders from Star Trek who are the only survivors of a planet after some holocaust, the sole guardians of all the knowledge of their race."

A pretty rock star who can think and sing: "Every day another miracle." Bruce Springsteen, "Tunnel of Love" (CBS): Although it is a happy surprise to hear Springsteen move toward the best of his possible worlds — between the unrelenting macho back-beat of "Born in the USA" and the "how sensitive I am" mood of "Nebraska" — this (No. 1 this week in the Billboard chart) is not a happy album.

His songs are therapy for him, and though his family scrapbooks and personal confessions are not necessarily about his own experience, gremains do seem to have invaded his mind. The opening track "Ain't Got You," a ballad, is four stanzas of despair. He has fortunes of diamonds and gold, houses across the country, a diamond watch, pounds of caviar, a fancy foreign car, a hundred pretty women knock down his door and folks he doesn't know want to kiss him, but he's still "the biggest fool honey this world ever knew."

Lovers lose each other in the tunnel of love, have unwanted babies, go "one step up and two steps back." Lonely people drive on highways in the dark with a trembling hand over their heart, walk down dark roads missing their home, feel coldness rise up inside, ask God to have mercy on the man who doubts what he's sure of. And "when you're alone you ain't nothing but alone."

Even the production sounds lonely, as if it were mixed in some prototype nowhere. Whether accompanied by acoustic guitar, har-

monica, discrete synthesizer beds or full-out two-guitar rock, Springsteen's voice seems to be coming from an isolation booth. With his technological experience, financial means and sensitivity, this is unlikely to be coincidence. It is honest and timely catharsis for a record deficit.

Tom Waits, "Frank's Wild Years" (Island): No need to Q-tip your ears, it's out a short circuit, your needle isn't dusty and nothing's wrong with the speakers. It's Tom Waits and his "Operatic Romanticism in Two Acts" a story about how "One moonlit night Frank packed up his accordion and said blow wind wherever you may go... Cause I'm going straight to the top... up where the air is fresh and clean."

Asked by Musician magazine why Frank leaves Rainville ("a good place to train yourself away from") by train, Waits responded: "The thing about train travel, at least when you say goodbye they get gradually smaller. Airplanes, people go through a door and they're gone. They say oww that jet lag is really your spirit catching up to your body."

His mournful wheeze reminds you of Louis Armstrong, Rudy Vallee with his megaphone (actually it's a police bullhorn), Hoagy Carmichael, Howlin' Wolf, Captain Beefheart and Frank Sinatra with laryngitis. The accompaniment — which includes accordion (by Los Lobos's David Hidalgo), pump organ, "cocktail piano," optigan, plucked banjo, glockenspiel and -crusy, -howling horn — resembles Kurt Weill, Frank Zappa, the Lounge Lizards, Harry Partch and a Las Vegas bar band. The lyrics (by Waits and his wife, Kathleen) recall Bertolt Brecht, Jack Kerouac, Charles Bukowsky and Mark Twain:

"Hang on St. Christopher on the passenger side. The bats are in the belly, the dew is on the moon. I drink a thousand shipwrecks, tonight I'll steal your psychics... The monkey rode the blade on an overhead fan, they paint the donkey blue if you pay... Today is gray skies, tomorrow's tears, you'll have to wait till yesterday's here."

As Tom Waits says, "dancing in the slaughterhouse."

In an extraordinary Baroque comedy of ancient memories and modern mistakes, Shaffer is, I think, telling us that we have destroyed the warmth of history only to replace it with the chill of practicality. But his play goes off at so many accurate, if usually enjoyable tangents that we end up, much like the tourists we started with, gazing in awe at a structure riddled with eccentric corridors leading nowhere very specific.

It is kind of typical here that the play's most fascinating character, Maggie Smith's mother, who once ran an all-female troupe of strolling players performing Shakespeare to amazed Dordogne peasants in France while armed only with a cushion that doubled as Falstaff's

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- AUSTIN
- OMAHA
- DES MOINES
- LITTLE ROCK
- ONTARIO

et Tie

by then devastated by the Cultural Revolution. Turning his back on Maoist ideology, Mr. Zhao is sweeping changes in agriculture, including the establishment of free farm markets and freedom for farmers to sell surplus industrial output. That performance brought Zhao to the attention of Mao who brought him onto the Politburo in 1980 to become deputy premier. Since then, together with Deng, who was made party chief, he has been at the center of the country's ambitious plans to end the moribund economy.

ab Summit

indication that tempers had so high over the conference was surrounding the summit — a Saudi-led call for peace against Iran and restored relations with Egypt — that the summit opted to stay out of the fray.

The divisions went further, the objections voiced by Gadhafi, who described the summit as a U.S.-Iran summit against Iran.

On Tuesday morning, Sheikh Issa bin Salama of Bahrain openly called for a return of Egypt to the Arab League and warned of the danger of Gulf War, which he said was "no one."

Since the meeting's opening, a unified voice on Iran, the Arab League now appears to be losing many Arab observers.

War Fails

Iran, which is something managed to do quite well. Both the Arab world are just too important to the Union for them to ignore. Therefore, the diplomats of Khomeini will "reassure" that an embargo will be "weak and ineffectual." Diplomats said their questions about whether major arms supplier to the sort of war that Washington is big United Nations will agree. Despite reports of Iranian troops being sent to Beirut, Iran is not very far from the Gulf. Iran is not very far from the Gulf. Iran is not very far from the Gulf.

Iran Denies Role

An Iranian Foreign spokesman said Monday and the Soviet Union and the United States. The spokesman said that the United States and the Soviet Union. The spokesman said that the United States and the Soviet Union.

DEATH NOISE

JULIA WARD

Working working go

Fujian, China

DOONESBURY

GENTLEMEN, OUR PROTEST IS TO SUCCEED. WE'RE GOING TO NEED A CHIEF COORDINATOR AND NEGOTIATOR. NOW, PHIL SLACK, NEVER HERE HAS RUN SEVERAL CORPORATE TRIPS...

THANKS, BARNEY, BUT I DON'T KNOW IF I'M THE MAN FOR...

ANYONE HERE HAD MORE LEADERSHIP EXPERIENCE THAN PHIL?

UH... YES, HERB?

I USED TO BE A GOVERNOR. SO? EVER BREAK A UNION? I'VE BROKEN TWO UNIONS!

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NYSE Most Actives					
Vol.	High	Low	Last	Chg.	
327,872	23.25	22.75	23.00	+0.25	IBM
297,777	21.75	21.25	21.50	+0.25	AT&T
277,777	18.75	18.25	18.50	+0.25	Amgen
277,777	18.75	18.25	18.50	+0.25	Amgen
277,777	18.75	18.25	18.50	+0.25	Amgen

Market Sales					
NYSE 4 a.m. volume	22,848,500				
NYSE prev. close	22,848,500				
NYSE 4 a.m. volume	22,848,500				
NYSE prev. close	22,848,500				
NYSE 4 a.m. volume	22,848,500				

NYSE Index					
Composite	2,824.25	2,824.25	2,824.25	+1.25	
Industrials	1,611.25	1,611.25	1,611.25	+0.75	
Transportation	1,212.25	1,212.25	1,212.25	+0.25	
Utilities	1,212.25	1,212.25	1,212.25	+0.25	
Finance	1,212.25	1,212.25	1,212.25	+0.25	

Tuesdays
NYSE
Closing
Via The Associated Press

AMEX Diary					
Advanced	34	34	34		
Declined	17	17	17		
Unchanged	47	47	47		
Total Issues	98	98	98		
New Issues	21	21	21		

NASDAQ Index					
Composite	1,212.25	1,212.25	1,212.25	+0.25	
Industrials	1,212.25	1,212.25	1,212.25	+0.25	
Transportation	1,212.25	1,212.25	1,212.25	+0.25	
Utilities	1,212.25	1,212.25	1,212.25	+0.25	
Finance	1,212.25	1,212.25	1,212.25	+0.25	

AMEX Most Actives					
Vol.	High	Low	Last	Chg.	
719	14	13	13.50	+0.50	TaxAir
655	30	29	29.50	+0.50	Ray
611	10	9	9.50	+0.50	Echb

Dow Jones Bond Averages					
Class	Close	Chg.			
Govt	109.25	+0.12			
Utilities	109.25	+0.12			
Industrials	109.25	+0.12			

NYSE Diary					
Advanced	21	21	21		
Declined	10	10	10		
Unchanged	69	69	69		
Total Issues	100	100	100		
New Issues	21	21	21		

Odd-Lot Trading in N.Y.					
Nov. 3	52,442	54,398	52,442		
Oct. 29	52,442	54,398	52,442		
Oct. 28	52,442	54,398	52,442		
Oct. 27	52,442	54,398	52,442		
Oct. 26	52,442	54,398	52,442		

Dow Jones Averages					
Open	High	Low	Last	Chg.	
Index	2,824.25	2,824.25	2,824.25	+1.25	
Industrials	1,611.25	1,611.25	1,611.25	+0.75	
Transportation	1,212.25	1,212.25	1,212.25	+0.25	
Utilities	1,212.25	1,212.25	1,212.25	+0.25	

Standard & Poor's Index					
Industrials	2,824.25	2,824.25	2,824.25	+1.25	
Transportation	1,212.25	1,212.25	1,212.25	+0.25	
Utilities	1,212.25	1,212.25	1,212.25	+0.25	
Finance	1,212.25	1,212.25	1,212.25	+0.25	
Commodities	1,212.25	1,212.25	1,212.25	+0.25	

NASDAQ Diary					
Advanced	34	34	34		
Declined	17	17	17		
Unchanged	47	47	47		
Total Issues	98	98	98		
New Issues	21	21	21		

AMEX Stock Index					
High	Low	Close	Chg.		
301.75	292.59	295.47	+4.24		

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAR				17.75	17.75			
17.75	17.75	AAI				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			

MARKET: Dow Drops 50.56, Ending Rally

(Continued from Page 1)

press in talks between the Reagan administration and Congress on reducing the budget and trade deficits were taking a toll on stock prices. Alan Ackerman, a senior vice president at Gruntal & Co., said market participants feared that the problems with Mr. Reagan's Supreme Court nomination would distract the White House's attention from budget concerns.

"What is not evident is movement on the budget issue, and that's got people very anxious," Mr. Ackerman said.

"The market still remembers 'Black Monday' won't be forgotten," said Tom Gallagher, a managing director in charge of capital commitment at Oppenheimer & Co., referring to the Oct. 19 plunge in share prices. Pressure on the dollar and lack of an agreement on the budget will drive down prices, he added.

Stock prices had defied the sinking dollar for several sessions, but analysts warned that the weak U.S. currency could stall the market's recovery from two weeks of volatility.

A weak dollar can hurt stock prices by making U.S. securities less attractive for international investors, who played a significant part in Wall Street's five-year bull market.

"The stock market is reacting to the falling dollar and to the fact that the West German central bank hasn't done anything to lower interest rates," said Robert Kahn, manager of equity trading at Montgomery Securities in San Francisco.

In London, the Financial Times-Stock Exchange index of 100 leading shares fell 69.8 points to 1,633.9.

NYSE Lifts Some Curbs

Resters

NEW YORK — The New York Stock Exchange said Tuesday that it was withdrawing its request that companies not initiate program trading for their own accounts, beginning Nov. 4.

The exchange said, however, that its request that all members refrain from using NYSE automated order-delivery systems to execute any program trades after the opening remained in effect.

The requests were made after the market's steep plunge on Oct. 19 to help curtail the heavy volume that such computer-related trading can generate. Volume in the recent market turmoil far exceeded the previous records.

Ian Harwood, equities analyst at Warburg Securities, said he saw two main reasons for the slide in British share prices. "There is a basic lack of liquidity following the flotation of British Petroleum and the move into government bonds. Also, uncertainty over the U.S. economy is keeping anyone with money to invest out of the market."

American Electric Power was the most active NYSE-listed issue, off 3/4 to 26 1/2. It was followed by Central & South West, off 1 to 31 1/4.

Texaco was third on the active list, down 3/4 to 31.

(Reuters, UPI)


12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

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12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	52 Low	Class	Out.	Chg.
17.75	17.75	AAK				17.75	17.75			
17.75	17.75	AAJ				17.75	17.75			
17.75	17.75	AAK				17.75	17.75			

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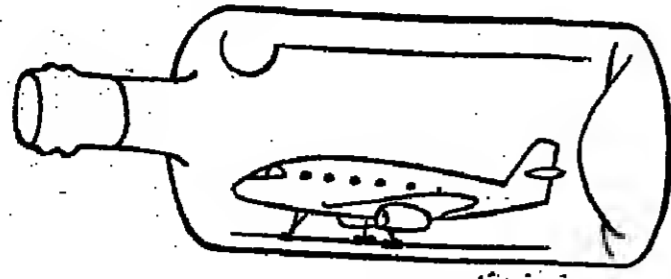
Will You
Loss
the World



مكتبة النور

THE WORLD OF DUTY FREE

Shopping



Will Europe's Loss Be the World's Gain?

DUTY free existed in a twilight world, tolerated by customs authorities as it developed into an \$8 billion industry. In Europe it needed only two directives to rationalize the business. One in particular, the seventh, would have given it legal acceptance.

In a shock move, virtually a year ago to the day, the European Commission advised the European Council that it was withdrawing this directive.

The confidence shown at last year's Tax Free World Exhibition turned to horror as the implications of this decision sunk in. After all, Europe accounts for some 46 percent of the world's duty free trade, a good half of which is transacted between EEC residents.

The EEC has set itself the task of eliminating internal economic frontiers by 1992. This arbitrary date is already raising problems in the drive to allow the freer movement of people, goods and money around the twelve member countries. For instance, more than 130 market opening schemes should have been approved last year, but are still under negotiation.

The decisions required are contained in well-intentioned memoranda rather than formalized legislation or draft directives. Committee discussion delays matters while common agreement is sought. The industry is seizing its opportunity to create a strong political and economic lobby while time remains.

Philippe Harron, currently on secondment as director of the International Civil Airports Association European Community Bureau from the British Airports Authority, has been the prime lobbyist at the EEC and industry coordinator the past five years. His members are going to be among the hardest hit, firstly by the loss of revenue from duty free sales and secondly by the cost of restructuring their airports to restrict sales to EEC travelers while allowing them to non-EEC residents.

Harron's lobbying platform is powerful and clear. He argues that duty free revenues keep fares down. Without them the EEC itself calculates that sea ferry fares would rise by 30 percent and air fares by 20 percent.

There is no denying that



duty free is popular among international travelers, who tend to regard it as a right and recognize that it gives good value for money. But, equally importantly, the business provides jobs for some 250,000 people and promotes European exports by providing a high quality shop window to the world's travelers.

A further consideration, it discourages minor but cumulative smuggling by allowing open purchase. And it does no harm to national traders as the reduced prices allow travelers to pamper themselves with goods that they might otherwise be unable to afford.

Nor does it affect aircraft safety. As Britain's aviation minister, Michael Spicer, MP, commented in reply to a parliamentary question: "My chief inspector of accidents

has advised that there is no evidence that the carriage of alcohol in aircraft passenger cabins has jeopardized survival of any survivable aircraft accident."

In Harron's view, duty free facilities should remain until the last customs officer in the EEC has been withdrawn.

At the time of their privatization, Sir Norman Payne, chairman of the British Airports Authority, was asked if the termination of duty free to EEC residents would adversely affect the company. He expressed the view that the problem could probably be solved by swift diversification elsewhere and the raising of landing charges.

In Britain the industry has gathered itself under the title of The Duty Free Council and

the slogan "Value Duty Free." This council under the chairmanship of Peter Rees QC, now a member of the House of Lords and past MP for the major English Channel port of Dover, has appointed a public relations company, Profile, to plan its campaign. Companies from all parts of the British duty free industry are providing the funds.

It is also hoped that their international trade association the International Confederation of Suppliers to Airlines Airports and Shipping (ICO-SAAS) will link Britain's actions with those of the duty free trade in other EEC countries.

Meanwhile, the Europe against Cancer campaign is determined to eliminate the sale of tobacco in duty free

shops. If this movement gains the desired momentum it could achieve its objective before the 1992 date in the current climate for duty free abolition. With the current concerns for reducing alcoholism and alcohol abuse, liquor sales in duty free may follow fast behind. That would decimate Europe's duty free trade well before the Commission's target date.

Before 1992 a new European Parliament is due to be elected. Perhaps the newly elected representatives will take a more benign view of this whole matter. Whatever the outcome, even if Europeans must suffer the loss of their treasured duty free, the rest of the world's travelers will still be able to make purchases as they depart from the continent.

Today's \$8 Billion Market

FROM virtually nothing to \$8 billion in something over thirty years is not bad by any industry's standards. Originally based on an old maritime concession, duty free shopping as we know it today took off with the opening of a shop in Shannon Airport, Ireland in 1953.

Nor surprisingly, with the advent of the jumbo jet and the rapid growth of air traffic in the 1970s, the business reflects the way that the mass of people travel.

The nature of products sold and their relative importance has shifted somewhat over recent years. As greater diversity of products has been accepted for sale in the larger areas made available by airport operators to this highly profitable business, so the core products of tobacco and liquor have given way to the influx of fragrances, electronics, fashion, luggage and other products.

There are clear developments toward selling goods designed especially for easy and light transport and use, items such as liquor gift packs in easy-to-carry cartons, toiletry packs containing a selection of small bottles or a collection

of miniaturized clothes iron, hair dryer and shaver, all in a special travel pouch.

World ferry traffic is mainly concentrated in certain areas such as the English Channel, the North Sea and the Balcic, where a very large trade is conducted between the Scandinavian countries. Because of the frequency of travel between its closely located countries, Europe has dominated the world's duty free trade. This is why the possible elimination of duties and taxes between member countries poses such a threat to this significant industry.

There is some contention as to whether duty free offers a real, tangible benefit. While duty or tax is deducted, the price is often considerably raised. Yet a typical demand made by a duty free franchiser is that prices be 20 percent below those in local cities.

The benefits, when all is said and done, depend on the nationality of the shopper. Buying whisky in Heathrow will certainly be advantageous for a Scandinavian or Japanese. However, since business expenses or holiday money is usually used for the purchase, caution is not necessarily the major concern.

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Goldpfeil. This traditional name stands for highest quality all over the world. Our reputation began in Germany as early as 1856 when Ludwig Krumm began manufacturing cleverly designed and beautifully made purses and wallets. Today, connoisseurs of leather in more than 50 countries appreciate the wide range of Goldpfeil products which include luggage and other travel items, handbags, business accessories and specially designed gifts. Goldpfeil - when only the very best will do. We are exhibiting at the Tax Free World Exhibition in Cannes in the "Mediterranée Village" stand N 14.

Enquiries: Goldpfeil Ludwig Krumm AG, P.O. Box 1006 62, Kaiserstrasse 39-49, D-6650 Offenbach, W. Germany, Telephone: (69) 800 500, Telex: 4152 880

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Continued on next left-hand page



DUTY FREE SPIRITS

THE origins of today's booming duty free trade can be traced back to the liquor concessions made to sailors in international waters hundreds of years ago.

was heard to say, "Only fools and passengers drink at sea." Today's passengers — whether traveling by land, sea or air — still consume a great deal.

all types and brands from which to choose. Here is a brief guide to what to look out for as you travel around the world.

THE WORLD OF DUTY FREE



or single malts providing a variety of tastes to suit every preference. A name well known and developing strong duty free sales is William Lawson's from the little town of Banff in Scotland.

The House of Camus, noted for its fine quality cognacs and Chabot armagnacs, is unique in that its brands have been predominantly built and established in the duty free world.



light the most critical connoisseur. At the top of the range and launched early in 1987 is Camus Extra. In its slender, decanter style bottle with its distinctive red and black box this is truly the king of cognacs.

ties available. The main seller though, by far, is the popular Camus Napoleon in a gold and red box.

Gift appeal is a big feature of the Camus range so note their porcelain 'book' presentations and the Baccarat 2000 decanter too if you want to flatter a friend — or yourself.

Armagnac, that distinctive drink still only known and appreciated by truly knowledgeable drinkers, is well represented in duty free by Chabot Extra. Its unusual, eight-sided bottle, based on a traditional flask design, will enhance any drinks cupboard.

The steady growth of white spirits has meant burgeoning sales for vodka. In second from pole position and 'trying harder' every day is Finlandia, vodka of Finland, in its highly individual 'cracked ice' bottle.



the Adriatic coast of Yugoslavia. For a cool, clean drink there is nothing to match this delightful, ice clear liqueur.

Britain's noted Beefeater Gin, produced in the heart of London, has brought its owners, James Burroughs, the Queen's Award for Export Achievement five times. The only gin to achieve this distinction, it is sold in over 170 countries around the world.

For the international traveler this very individual gin can be found in virtually every duty free outlet.

For those people passing through Gatwick airport there is an attractive promotion going on there that is well worth the £24.95 being asked. A specially produced 2 liter bottle of Beefeater Gin is presented, wrapped in a high quality towel and placed in a tough nylon sports bag.

For a really different version of a well tried drink, an unusual vodka from Germany is well worth trying. The family Gorbachov, fleeing Russia after the October Revolution, established its distillery in 1921 to supply its own brand of vodka for the Russian colony that had settled in Berlin.

Now produced by Henkell & Sohnlein of Wiesbaden, it still uses the same special and jealously guarded recipe.

The bottle's unusual top is reminiscent of the domes of the buildings around Moscow's Red Square. Try drinking this vodka ice cold by itself or on any occasion with any food. Its clean, aroma free taste will refresh the most jaded palate.

Aimed specifically at international travelers and duty free shoppers are promotions by leading Scotch whisky producers Ballantine's. Noted for their fine quality blended whiskies, this company has always been active in developing the duty free business for its products.

If you happen to be in Brazil look out for the special carrying case holding six 1 liter bottles of Ballantine's 12 years old and on sale at all duty free outlets. This case matches the stylish brown and gold livery of the 12 years old's carton.

For business travelers everywhere Ballantine's is making a bargain offer of savings up to £12 on their detailed Planner. Advantage can be taken of this over 20 percent saving at Europe's ten leading airports until April 1988. Ballantine's Scotch Whisky bottles will carry a leaflet giving full details and savings varying from £6 to £12 depending on whether you buy the 12 years or 17 years old blends. The leather bound Business Planner contains sections covering dates, notes, general and travel information and a calculator.

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If you are on international assignment or will soon be, you will be delighted to discover that you can purchase a prestigious new Saab under special conditions from Saab International and Diplomat Sales.

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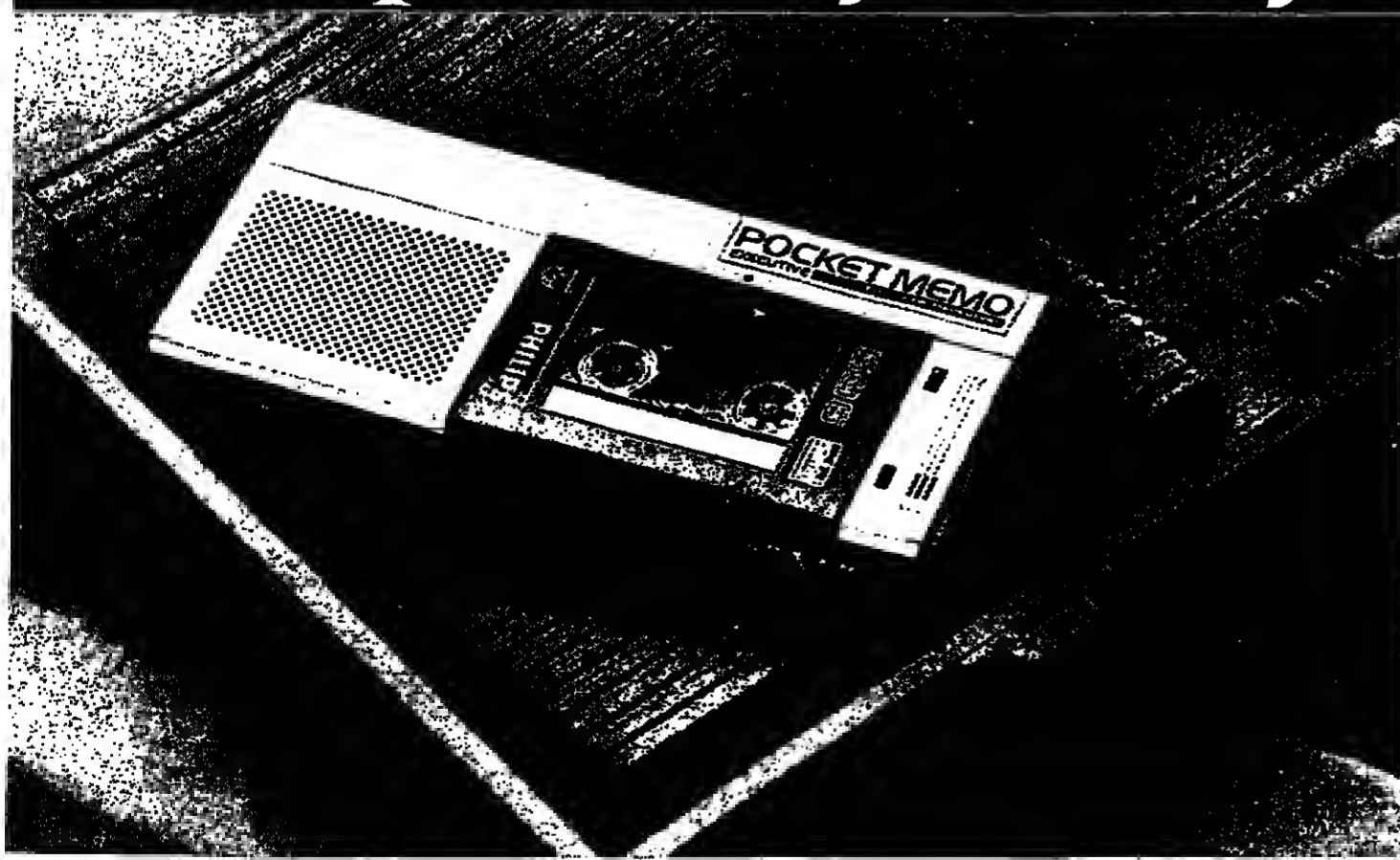
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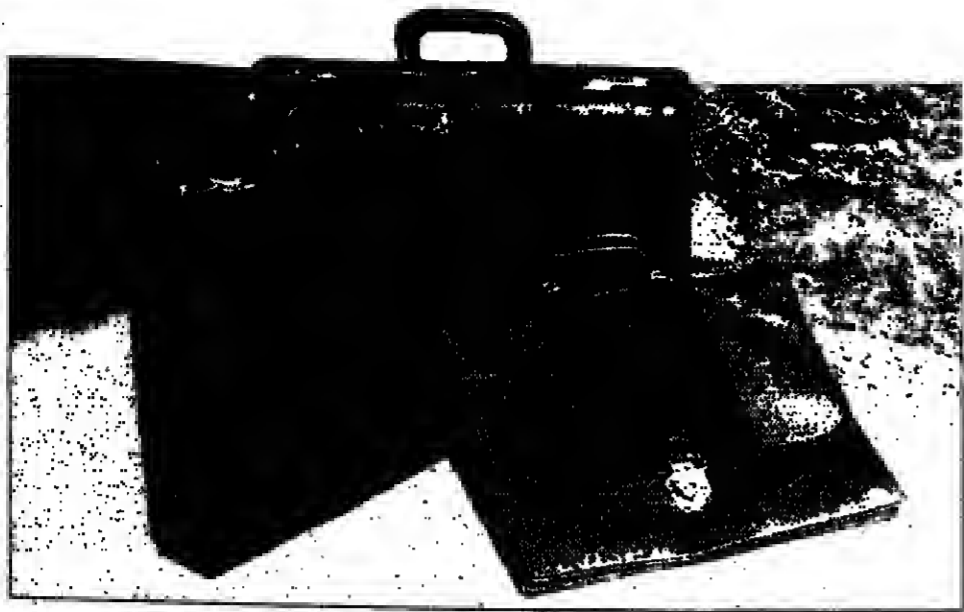
PHILIPS

Products shown may vary, and may not be available in every country. Philips Corporate Marketing Communications, Eindhoven, the Netherlands



Vertical advertisement for Golden and Gointreau liqueurs, featuring product images and text.

Handwritten Arabic text: هكنا من النحل



GOLDEN ARROW ON TARGET

IN 1856 Ludwig Krumm, purse maker, founded the business known today as Goldpfeil. A century later this prestigious company, based in Offenbach, was expanding and international business represented 20 percent of its turnover. Today Goldpfeil has its own boutiques in cities such as Miami, Mexico City, Tokyo, Singapore, Hong Kong, Melbourne, Sydney and London.

Its products are available in virtually all major airports and expansion continues. This up-to-the-minute company, symbolized by its upward pointing golden arrow, combines the use of novel high-tech materials with a staunch adherence to the traditional art of purse making in high quality leather.

The contrasts can be seen in the modern Image and Executive Lines. Especially suitable for the duty free shopper, however, are the Caracciola and Sport Collections. Caracciola has a ruggedly casual character inspired by the legendary German driving ace. A natural shrinking process results in leathers with a grained effect and subtle nuances of color. Sport epitomizes sporting elegance in the English style. Colors are a distinctive burgundy, mellow scotch or rich espresso and classic black.

COINTREAU LAUNCH TAX FREE TRADERS

HOT news from the Tax Free World Exhibition in Cannes this week is the launch by the major drinks group Cointreau of Topline Tax Free Traders. This is a new, worldwide duty and tax free trading company operating autonomously within the Cointreau Group based on the first-hand experience of its German subsidiary Heaman Joers. Says Pierre Cointreau, chairman of the board, "Topline currently operates in three areas — Germany, France and Benelux — and more will be added shortly."



Peter Brandsma.

Although Cointreau is noted for its wines and spirits, Topline will be handling a full range of duty and tax free products ranging from tobacco, fragrances, watches and electronic goods to jewelry and other fashion items. Manufacturers represented by Top-

line is optimum brand performance.

While several existing trading companies are to be found in the tax and duty free markets, most of them act as agents for some brands and wholesalers for others as well as being active in the retail area. Hubert Miller, managing director of Cointreau, comments: "We believe that this diversity of operation has a built-in bias that can conflict with optimum brand performance. Topline will concentrate solely on marketing the brands of our principals."

line will have the full benefit of their experience and contacts in all branches of the duty free trade allied to their considerable marketing expertise. No competitive brands will be held in the portfolio. "Topline's independence," says Peter Brandsma, marketing coordinator, "will be a major benefit and our objec-

TRAVELING LIGHT

PHILIPS certainly has the needs of travelers in mind. Look at their Ladyshave range for instance. With a convenient travel pouch they come packed in a distinctive black and white box and make an ideal gift. Other Ladyshave models offer deluxe cord and battery operated versions. The Philips Cosmetic Set pampers the travel weary body with its eight additional attachments. Freed of the need for cords or batteries, the Philips Combi gas powered hair curler and styling brush is ready to use in a minute and perfectly safe to handle.

For men, the Philipsave electronic rechargeable shaver with its double action shaving system is recognized as one of the most powerful on the market. Philips also produces a folding hair dryer. With its lightweight pouch it makes an ideal travel companion.

FOR THE CONNOISSEUR

FOUNDED in 1738, the House of Berentzen is firmly rooted in the Emsland district of Northern Germany where the distillation of grain spirits enjoys a rich tradition.



The product for which Berentzen is best known today is Appel. Germany's top exported spirits brand, this trend setter was launched in 1976 and immediately created a market of its own.

Drink it straight or try the Berentzen Paradise, a refreshing cocktail created by Gilbert

Guille of the Intercontinental Hotel in Geneva, by blending Berentzen Appel with vodka, fresh orange juice and just a little Campari.

THE FIREBIRD

Half the night went by when suddenly the garden was lit up as if by sunshine. Tsarevich Ivan looked, and he saw the Firebird come flying up and perch in the apple-tree and peck at the golden apple. He crept up quietly and caught the bird by the tail.

Legends from Russia

ONLY VODKA FROM RUSSIA IS GENUINE RUSSIAN VODKA

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Isle of Jura SINGLE MALT SCOTCH WHISKY



THE WORLD OF DUTY FREE SHOPPING

Oasis in the Gulf

TURNOVER this year is expected to exceed \$45 million, an increase of more than 125 percent over the first full year of operation in 1986. This may not put Dubai at the top of the big league tax free operators but it is the way in which the targets have been achieved — the outlets themselves, presentation, picked staff and some of the lowest prices in the world — that has had an impact on other tax free operations.

Dubai Airport is an oasis among tax free shops. "Above all we have tried to make it a pleasant place for the air traveler to browse — and spend his, or her, money," says general manager Colm McLoughlin who is sometimes critical of the hurly-burly and so-called cheaper prices at some tax free operations.

Dubai itself, which is one of the United Arab Emirates, is virtually a tax free city as practically no duty is levied on imports, which are the basis of its entrepot trade up and down the Gulf. Against only 4 percent duty, McLoughlin has had to make his prices competitive with the local market where traditional haggling, particularly in the gold souk, is still common.

Gold is the top selling item, representing 19 percent of turnover followed by liquor and cigarettes accounting for a combined 24 percent. These are followed by perfumes, electronics and confectionery.

Dubai's rapid takeoff in the tax free world (it has three major awards behind it and McLoughlin, a winner himself last year, is one of the judges this year) came about by a

chance transit stop in Shannon by an Arab.

Mr. Mohu-din Binhend, director general of Dubai's Department of Civil Aviation, was so impressed by what he saw that he contracted Aer Rianta to do for Dubai what they had done in Shannon. McLoughlin and two of his existing senior staff, John Sutcliffe and George Horan, known as the "Irish Trinity," were part of that original team.

With a staff of 300 they look after 26 shopping outlets

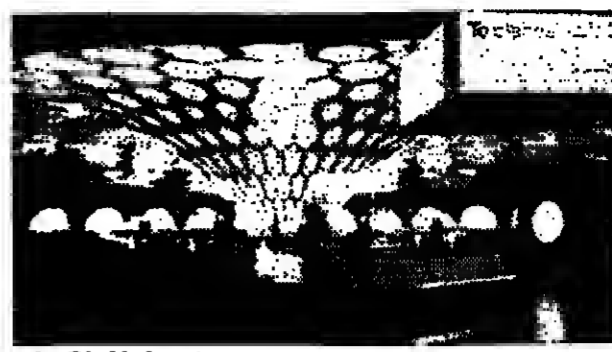


Mohammed A. Mounib.

on the airside and three on the landside, including a newly opened arrivals duty-free shop. Other developments include a cigar room in the liquor shop and a converted ladies fashion shop selling accessories.

Concentrating on value and service are top priorities in Dubai's strategic duty free policy. Says John Sutcliffe, deputy general manager: "By far the most serious problem facing the industry worldwide now is the image it has, particularly over pricing policies. Traditional duty free products — liquor, tobacco and perfumes — now face competitively priced downtown outlets."

"Price is only one of many



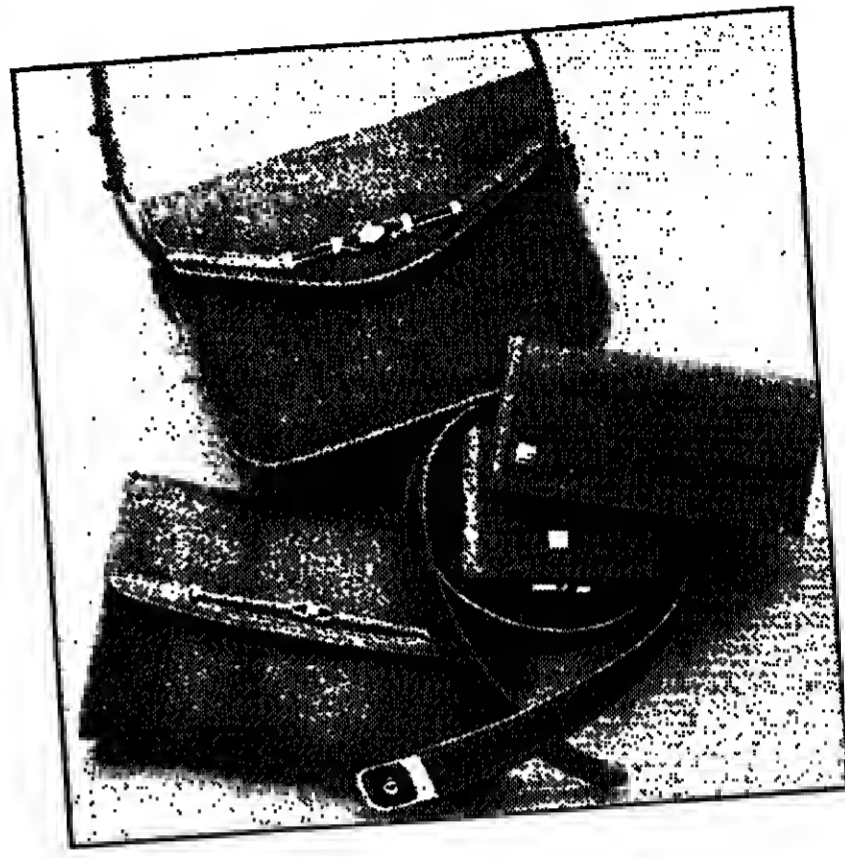
Abu Dhabi airport.

considerations. Equally important are choice, well presented displays, shop facilities and, of

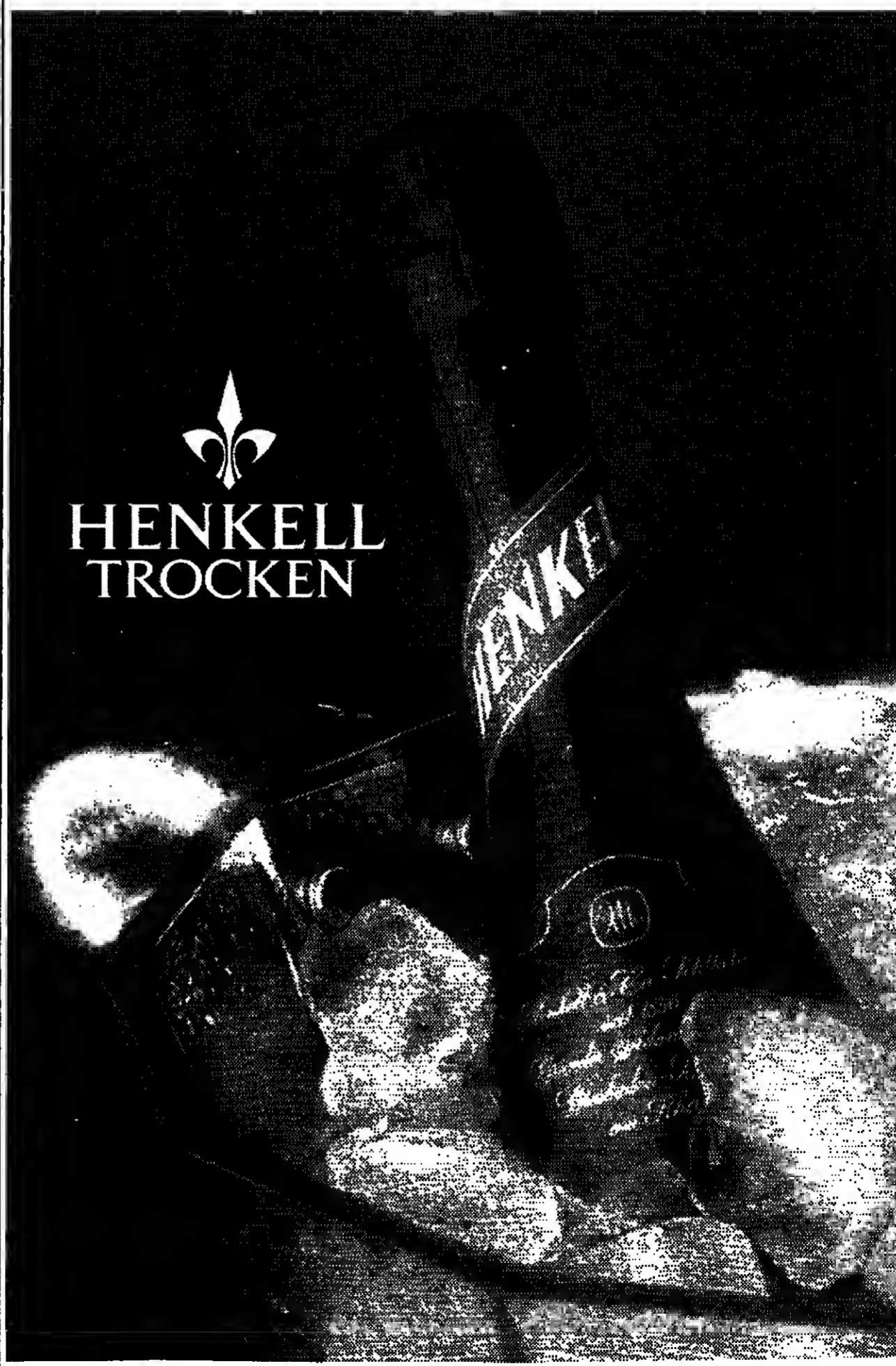
course, service," says Sutcliffe. "Service before profit" is also the aim of Mr. Moham-

med Mounib, operations manager of the Abu Dhabi duty free complex, where turnover in the first half of the year has already reached \$9.7 million. Electronics and cameras have displaced liquor as the best selling product category topped only by tobacco. Because of a wide variety of fragrances being offered in the perfume shops, sales have doubled this year and are expected to reach just under \$3 million by the end of December.

— Lee Voysey



COMTESSE. THE HANDMADE PERFECTION.



HENKELL TROCKEN

HENKELL

produced by Henkell & Co. of Wiesbaden, it will give you the same special and justly guarded recipe. The bottle's unusual top is reminiscent of the domes of the buildings around Moscow's Red Square. Try drinking this vodka ice cold by the glass or on any occasion with food. Its clean, aroma free taste will refresh the most fastidious palate.

Designed specifically at international travelers and duty free shoppers are promoted by leading Scotch whisky producers Ballantine's. Note the fine quality blends. In fact, this company has always been active in developing the duty free business for its products. Visitors to Scandinavia will find in Norway that Ballantine's is "Brand of the Month" in duty free in November and this will be followed by a promotion of their aged qualities in December. Two leading airports will also feature special Ballantine's bars.

If you happen to be in the airport look out for the special carrying case holding six 1.5 liter bottles of Ballantine's 12 years old and on sale at duty free outlets. This case matches the stylish brown and gold livery of the 12 years old's carton.

For business travelers everywhere Ballantine's is making a bargain offer of saving up to £12 on their deluxe Planner. Advantage can be taken of this over 20 percent saving at Europe's ten leading airports until April 1988. Ballantine's Scotch Whisky bottles will carry a leather giving full details and savings ranging from \$6 to \$12 depending on whether you buy the 12 years or 17 years old blends. The leather bound Business Planner contains sections carrying dates, notes, general and travel information and a calculator.

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PHILIPS



Mobi-Din Binhend, Director General of Dubai's Department of Civil Aviation.

Onshore Haven

LEGEND has it that the Ruler of Dubai, Sheikh Rashid bin Saeed Al Maktoum, out for a picnic one day in the mid 1970s, saw a line of ships on the horizon waiting to unload

their cargoes. "We must build a port — here!" he exclaimed, thrusting his stick into the ground at Jebel Ali. Five years ago the port was ready — but scarcely overused.

The largest man-made harbor in the world, it has berths for 67 ships alongside nearly ten miles of wharves on the edge of the Arabian Gulf.

Then in 1985 it was decided to turn the whole 7,500 acre site into a tax free zone, a kind of offshore base within the emirate. Anyone wanting to use the free zone is offered a wide-ranging package of tax incentives and other benefits from cheap electricity to duty-free exemptions on all imported goods and equipment.

Since the change in status to a fully fledged free zone, applications from companies wishing to set up manufacturing, assembly, or simply warehousing and distribution facilities, have been flowing in at a steady rate.

One of Jebel Ali's strengths is its strategic geographical location and its ability to serve a potential market area of more than one billion people.

This Advertising Section was written by Peter R. Wenban & Associates.

THE WORLD OF DUTY FREE Shopping



Dubai duty free shopping complex.

Comments Ed Buder, recently appointed marketing director: "We have now assigned more than 130 leases covering everything from offices to factory premises. We are really optimistic, especially about the manufacturing side, as we are offering some unique benefits."

Some of the big names which have taken the plunge and moved into Jebel Ali include Arco, Black & Decker, Toyo Menka, McDermott and Union Carbide. There has been so much interest from the textile sector that a temporary "hold" has been put on any further applications.

Butler's view is that, with a \$2 billion investment in the port and its infrastructure, the FZA has got to get down to business and get things moving. It cannot afford administrative hangups for whatever reason. One of the principal attractions to foreign operators and joint venture partners is that because Jebel Ali is in effect an "offshore" situation the FZA takes care of all immigration issues and the sponsorship problems which are a peculiarity of doing business in that part of the Arab world.

Also within the industrial area are several capital intensive industries such as the Dugas processing plant, one of

the largest aluminum smelters in the region. Dugas also produces most of Dubai's fresh water from an associated desalination plant.

One of the newest developments is the combination of air-sea duty free cargo from



Gold boutique at Dubai International Airport.

Jebel Ali and the nearby international airport at Dubai. Many distributors and manufacturers from the Far East are

shipping consumer goods to Jebel Ali and then flying them air cargo for onward regional distribution. This cost effective

solution can cut freight handling times by as much as one third.

— Lee Voysey

The Ultimate in Fly/Drive

MOST diplomats already know what tourists and expatriates are now learning about tax free automobile purchases.

Special duty free prices for the finest makes of European automobiles, including Volvo, Saab, Mercedes-Benz, BMW, Audi, Volkswagen, Jaguar, Citroën and Fiat, can result in considerable savings. Increasingly, too, a network of duty free car dealers are offering top-of-the-line North American and Japanese models.

With a little advanced planning, a tourist can fly to Europe, visit either a car manufacturer offering duty free prices or a reputable dealer specializing in tax free shopping and drive off on vacation in the latest model. At the end of the tour, the tourist merely drops the new car off at the designated shipping center and, upon the new car's delivery in their home market, the duty free car buyer often finds that the savings on domestic taxes more than pays for the ultimate fly/drive vacation.

In many instances, purchases can be made on the spot. However, a two-month deposit can be expected for a particular model or a custom-made product. Hence, the need to order in advance for pickup on arrival in Europe. An expert plate issued in one country allows for unhindered travel through almost all of the Continent. Insurance covering the vacation period, usually in the form of an international green card, offers total coverage. In addition, to facilitate touring, a wealth of information, including city and country maps, pamphlets detailing cultural events and information on international driving

are offered by auto dealers and manufacturers.

With a duty free purchase, the vehicle can be driven for twelve months in a country in which the customer does not reside. In some cases, this can be extended for an additional year.

Diplomats and expatriates returning home have long been the backbone of the duty free car industry. Many of Europe's tax free dealers have been serving the diplomatic/expatriate market for decades and have developed roadside service packages, technical compliance options, special insurance and licensing amenities, all of which helps to take the hassle out of international driving. In addition, some dealers supply special tires and engine protection for Third World motoring.

The amount you save buying a duty free car varies according to the country of registration and the level of purchase tax in those countries. For example, in most of Latin America, only diplomats can import a duty free car. North Americans save an average of 9 percent after all charges, while Europeans will save between 40 and 14 percent on local taxes if they qualify. In the Middle East and most Asian countries, savings of 25 percent can be expected.

A Common Market resident domiciled outside the European Community can purchase a duty-free car, have it shipped to his destination and bring it back to his home country as part of the household effects without having to pay any taxes. This aspect of duty free automobile purchasing is expected to be even more appealing when intra-community tariffs are amended by 1992.

A major factor in savings — besides local and national taxes — is the currency exchange rate, and duty free car sales volume reflects this. A European model that is base priced in Deutsche marks can be paid for in dollars at most duty free outlets at that day's exchange rates, so savings are very much dependent on the relative strength of the currency in which you are paying. Most dealers will help you select the most favorable currency prior to selling you a car.

The bottom line you arrive at should also take into account the considerable savings such a purchase can make when combined with a European vacation or visit. If you compare the price of buying a new top model car in your home country versus the duty free price abroad, and add the savings that your new car will roll up in the form of local tourist transportation between Denmark, France, Germany, Holland and the U.K., for example, then buying duty free becomes even more advantageous. Frequent travelers also know that the best way to get around Europe and get a first-hand view of its picturesque peoples and villages is not in a large tourist bus, but in one's own car — and at one's own pace.

The duty free car industry is growing and has taken on an importance for manufacturers that is unique. The dealers find themselves competing to some degree with each other and the manufacturers by offering competitive after-sales service and prices. However, as one dealer noted, the future outlook for duty free car buying is positive, because more people around the world are traveling outside of their countries and, consequently,

more people are becoming aware of the savings and availability of tax free purchasing.

The manufacturers themselves see duty free as deserving of special separate marketing efforts because — as in the duty free industry in general — the diplomats, expatriates and tourists who buy are becoming a key part of the marketplace of their products.

For further information, please write:

GERMANY
ACS Automobil & Container Service, P.O. Box 100, D-4000 Düsseldorf

Auto Becker, Seidenstr. 150, D-4000 Düsseldorf 1

BMW-Euler, Woogstr. 34-39, D-6000 Frankfurt/M. 50

Marco Trade Wassersburger Str. 19, 8033 Haas/Munich

Nassar Export GmbH, Flaimstr. 191, D-6000 Frankfurt/Main

OCM GmbH, Testroterstr. 8, D-8000 Düsseldorf

Tosco Germany, Seidenstr. 38, D-2820 Bremen

SWEDEN
Seab-Scania AB, Seab Car Division International & Diplomat Sales, 6-111 81 Nyhögsgatan, Volvo Tourist & Diplomat Sales, S-405 08 Gothenburg

THE NETHERLANDS
Shipside BV, Knuisweg 631, P.O. Box 430, 2130 AK Hoofddorp

E.A.C., G. Deynoalweg 1130A, The Hague 2366

DENMARK
DNA Motors AS, 75 Hvidovrevej, DK 2650 Copenhagen

Gas of Copenhagen, Vodroffvej 55-57, 1900 Copenhagen C

Bilhuset, Chr. Kjer Auto Trading and Export Ltd., Gormenovej 6, DK-5700 Svendborg

Soco Tax Free Cars Int'l, Fergewej 42, Frederiksberg/Copenhagen

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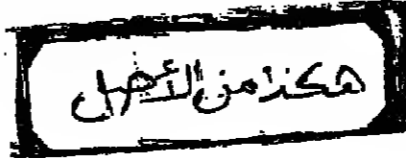
Panasonic
INTERNATIONAL STOCK
Foreigners Get Ca
On the Nordic Ex
BY PER ISAKSSON
STOCKHOLM — The change in
prompted foreign investors to se
shares on the Nordic stock ex
about whether foreign money w
the amount that foreigners can
the Finnish and Danish markets
to withdraw from the Nordic
country regulations prevent them from
1987.
Bert Karlén, president of the Swedish
company said: "We are very worried th
when the crisis is over."
He said preliminary figures
showed that foreign investors
accounted for up to one third
of the net sales on the Stock
Exchange in the
second half of October.
An institutional investor in
Stockholm said: "They have
of cheap shares while
the Alfarsanden index on "free"
was shopped by twice as much as
the Stockholm Stock Exchange's share in
1987.
The analysis by the foreign investors
company was also evident on the main
exchange, Copenhagen. For exam
the Copenhagen index fell 32 percent in the two we
the Helsinki 100 index dropped 13 p
Copenhagen Stock Exchange said
Bert Karlén said the reason for about 2
there were they account for about 2
of the value against other currencies
of the Norwegian krone.
Bert Karlén, a securities analyst at
Stockholm said the major reason for
of the Nordic index was the inter
national investors reacting to the inter
national market contributed to it."

THE PULLOUT from the Nordic
stock market had shares in comp
one of the few Norwegian stock
index was plunged by about 60 per
in Sweden. Elektra AS has seen the
of the kroner (134.57) to 124 kron
Friday. In contrast the company
of the kroner to 410.
In both Sweden and Norway, share
of the current taxes on equity trading m
from returning to the Nordic
Tomas Nordin, president of Ombank
in reference to Sweden's 2 percent t
share trading is to taxation effi
of the tax to be abolished for foreign
Sweden's parliament plans to vote in
1991 a 1 percent tax.
Karlén's analysis of the Nordic
index of Sweden's Skandinaviska
last week that the only Swedis
company could be big buyers was ASE
of the maker of heavy industrial
of Sweden.
Karlén said Swedish shares in the New
York market, head of the very me
exchange house Carnegie
of the Karlin of Sweden's Share Pro
could be a long and tiresome process to
Stockholm Stock Exchange if the self-

Currency
Time Rates
Currency Per \$
Auss. 1.54
Belg. 36.36
Brit. 2.25
Can. 1.33
D.M. 1.36
Doll. 1.00
Euro 1.36
Fr. 6.55
G.P. 1.36
It. 1.36
Jap. 163.60
Mex. 16.47
N. Korea 200.00
N. Zealand 1.54
Norw. 4.76
Port. 200.00
S. Korea 200.00
Sw. 4.76
Switz. 1.54
T. Dollar 1.36
U.K. 2.25
U.S. 1.00

Forward Rates
Currency Per \$
Auss. 1.54
Belg. 36.36
Brit. 2.25
Can. 1.33
D.M. 1.36
Doll. 1.00
Euro 1.36
Fr. 6.55
G.P. 1.36
It. 1.36
Jap. 163.60
Mex. 16.47
N. Korea 200.00
N. Zealand 1.54
Norw. 4.76
Port. 200.00
S. Korea 200.00
Sw. 4.76
Switz. 1.54
T. Dollar 1.36
U.K. 2.25
U.S. 1.00

Interest Rates
Currency Per \$
Auss. 1.54
Belg. 36.36
Brit. 2.25
Can. 1.33
D.M. 1.36
Doll. 1.00
Euro 1.36
Fr. 6.55
G.P. 1.36
It. 1.36
Jap. 163.60
Mex. 16.47
N. Korea 200.00
N. Zealand 1.54
Norw. 4.76
Port. 200.00
S. Korea 200.00
Sw. 4.76
Switz. 1.54
T. Dollar 1.36
U.K. 2.25
U.S. 1.00



Tuesday's NYSE Closing

Tables include the automatic prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High	Low	Stock	Chg.	Vol.	PE	52 High	52 Low	Open	Close
120	110	IBM	+	100	15	120	110	115	115
100	90	AT&T	+	80	12	100	90	95	95
80	70	GE	+	60	10	80	70	75	75
60	50	Westinghouse	+	40	8	60	50	55	55
40	30	General Electric	+	30	6	40	30	35	35

12 Month High	Low	Stock	Chg.	Vol.	PE	52 High	52 Low	Open	Close
150	140	Merck	+	10	15	150	140	145	145
120	110	Johnson & Johnson	+	8	12	120	110	115	115
100	90	Pfizer	+	6	10	100	90	95	95
80	70	Amgen	+	4	8	80	70	75	75
60	50	Novartis	+	3	6	60	50	55	55

12 Month High	Low	Stock	Chg.	Vol.	PE	52 High	52 Low	Open	Close
100	90	Boeing	+	10	15	100	90	95	95
80	70	Lockheed	+	8	12	80	70	75	75
60	50	Northrop	+	6	10	60	50	55	55
40	30	Rockwell	+	4	8	40	30	35	35
20	10	Grumman	+	2	4	20	10	15	15

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80	70	Lockheed	+	8	12	80	70	75	75
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INTERNATIONAL FUNDS (Quotations by Funds Listed) 3rd Nov 1987

The marginal signs indicate frequency of quotation: (1) = daily; (2) = weekly; (3) = monthly; (4) = quarterly.

Fund Name	Share Price	Change	Vol.
ALPHA GROUP	28.00	+	100
ALPHA GROUP	28.00	+	100
ALPHA GROUP	28.00	+	100
ALPHA GROUP	28.00	+	100
ALPHA GROUP	28.00	+	100

NYSE High-Lows

12 Month High	Low	Stock	Chg.	Vol.	PE	52 High	52 Low	Open	Close
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40	30	Rockwell	+	4	8	40	30	35	35
20	10	Grumman	+	2	4	20	10	15	15

AMEX High-Lows

12 Month High	Low	Stock	Chg.	Vol.	PE	52 High	52 Low	Open	Close
100	90	Boeing	+	10	15	100	90	95	95
80	70	Lockheed	+	8	12	80	70	75	75
60	50	Northrop	+	6	10	60	50	55	55
40	30	Rockwell	+	4	8	40	30	35	35
20	10	Grumman	+	2	4	20	10	15	15

Floating-Rate Notes

Issuer/Note	Rate	Yield	Term
ABC Corp	3.50%	3.50%	30 Days
DEF Corp	3.75%	3.75%	60 Days
GHI Corp	4.00%	4.00%	90 Days
JKL Corp	4.25%	4.25%	120 Days
MNO Corp	4.50%	4.50%	150 Days

Deutsche Marks

Bank/Rate	Rate	Yield	Term
Bank A	3.50%	3.50%	30 Days
Bank B	3.75%	3.75%	60 Days
Bank C	4.00%	4.00%	90 Days
Bank D	4.25%	4.25%	120 Days
Bank E	4.50%	4.50%	150 Days

Three Are Freed on Bail in the Guinness Scandal

LONDON — Three of five British businessmen charged in the Guinness financial scandal were freed on bail by London magistrates on Tuesday.

The three — Ernest Saunders, former chairman of the brewing company; Sir Jack Lyons, a financier; and Roger Sedg, former corporate director of Morgan Grenfell Group, a Guinness adviser — were freed on bail of £500,000 (\$860,000) each until April 12, when their cases may be sent to a higher court.

Also Profit Drop in Quarter, Share

NEW YORK — Large U.S. companies reported a profit drop in the third quarter, but analysts say the market is still in a recovery phase.

The S&P 500 index fell 1.5% on Tuesday, ending at 2,815.10. The Dow Jones Industrial Average fell 1.2% to 2,815.10.

Analysts note that while profits are down, the market is still in a recovery phase. They expect a rebound in the fourth quarter.

Am Unions Agree to Help Financier's Bid

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BUSINESS ROUNDUP

VW Says Net Rose 6.5% in 9 Months

BONN — Volkswagen AG on Monday reported a 6.5 percent rise in group net profit in the first nine months of 1987, but bankers say the government's plans to sell its 16 percent stake will also certainly be delayed because of the drop in the stock market.

One analyst in Frankfurt said banks there had planned for a Nov. 9 sell-off. But, he said, "The date has not been officially confirmed or canceled. I presume it will be put off until next year."

At short notice, VW canceled a company presentation for bankers in Frankfurt and Zurich that had been scheduled for Monday.

The presentation was expected to be an unofficial look-off for the government's sale of its 4.8 million shares, but neither the company, nor Dresdner Bank, the host of the West German presentation, had linked it to the privatization.

Since the stock market plunged, the automaker's shares have lost more than a quarter of their value, falling to 268.10 Deutsche marks (about \$155) at Tuesday's close in Frankfurt from 366 DM on Oct. 16.

Stephen Reimann, European motor analyst with UBS-Phillips & Drew in London, said, "It would be politically sensitive if the government were to sell at 270 marks."

The government's original intention was to sell its shares this year, but the sell-off was provisionally put off until 1988 after disclosure in March of a 473 million DM loss through fraud at VW's foreign-exchange department.

However, Finance Minister Gerhard Stoltenberg said in September, before the stock prices fell, that the sale would probably go ahead this year after all because the situation at VW had stabilized.

VW's group net profit rose to 393 million DM in the first nine months from 369 million a year earlier, while parent company net rose 6 percent to 365 million DM from 344 million.

Group revenue rose 2.6 percent to 38.39 billion DM from 37.4 billion.

Total car deliveries fell 1.3 percent to 2.03 million vehicles. A strong 13.7 percent rise to 697,000 at home contrasted with a 7.7 percent decline abroad to 134 million.

Share analysts said the nine-month results tallied with expectations. But one said, "In the current stock market environment, no-one will take any notice of these figures. In a normal situation they could have lifted the stock."

Mr. Reimann said he was expecting fairly flat results for the whole year, while others said they believed group net profit could rise to at least 600 million DM from 580 million DM in 1986.

Hans-Joachim Filz, with Bank in Lichtenstein (Frankfurt) GmbH, said he thought that the climate for automobile sales in Europe and at home would deteriorate next year.

"This will affect VW in particular," he said.

VW said sales had risen strongly at home and in Western Europe, but reported continuing problems in Latin America and the United States.

U.S. sales fell 15.4 percent in the first nine months, but this compared with a slump of more than 39 percent in the first quarter.

VW said problems in Latin America had been caused by price controls in Brazil and by a strike at its Mexican operations.

Mitsubishi Reports Net Rose 4.3% in First Half

TOKYO — Mitsubishi Motors Corp. has reported that unconsolidated net profit in the first half of fiscal 1987 rose 4.3 percent to 5.54 billion yen (\$40.44 million).

Mitsubishi, which is affiliated with Chrysler Corp. of the United States, said Monday that unconsolidated sales in the first half totaled \$24.11 billion yen, up 4.4 percent from a year earlier. Pretax profit rose 95.6 percent to 10.60 billion yen. Exports increased to 424,800 vehicles in the first half, from 395,600 a year earlier, it said.

Akzo Profit Dropped 20% In Quarter, Share Price Falls

AMSTERDAM — Akzo NV, the Dutch chemical company, said Tuesday that third-quarter profit fell 20 percent to 155.8 million guilders (\$80 million) from 195.3 million a year earlier. The news of the lower than expected earnings sent its share price plunging.

Akzo shares fell 18 guilders to close at 99 guilders on the Amsterdam stock exchange.

The lower profit was caused largely by a loss in Akzo's chemical fibers business. Profit per share, at 3.88 guilders, was down from 4.87 and far below market expectations of 4.50 guilders, dealers said.

Sales rose 3 percent to 3.87 billion guilders from 3.75 billion. As a result of the third-quarter results, the company said it expected profit for the full year to fall below last year's level of 840 million guilders.

"We're trailing too far behind last year's profit level to be able to bridge the gap in the fourth quarter," said Sieb Bergsma, a board member. "But we still think the final result will be good."

For the first nine months, profit totaled 526.8 million guilders, down 16.6 percent from 526.8 million in the comparable 1986 period.

The chemical fiber business lost 24 million guilders in the third quarter after a profit of 58 million a year before. For the first nine months, the profit totaled only 45 million guilders, Mr. Bergsma said, down sharply from the comparable figure of 226 million.

He said the decline in earnings in the fiber business reflected falling market prices and rising raw material costs this year, which contrasted sharply with last year when market prices held steady while raw material costs fell.

Mr. Bergsma cited the declining dollar as the main factor forcing Akzo to cut margins to maintain its market share.

Akzo recorded a 26 percent increase to 29 million guilders in operating profit from its Akzo Consumer Products division, which it is planning to sell to Sara Lee Corp.'s Dutch subsidiary for 1.25 billion guilders.

Akzo expects the transaction to be completed by December, Mr. Bergsma said, for an extraordinary gain of 450 million guilders. Royal Dutch/Shell Group has a 49 percent stake in this Akzo unit.

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Table with multiple columns for various companies (Canada, France, Netherlands, United States, etc.) showing revenue, profit, and share price for different periods.

Dean Witter Hires 27 From Salomon

By Arthur Higbee International Herald Tribune

Dean Witter Reynolds Inc., in an effort to rebuild its municipal-bond operation, has hired 27 municipal-bond specialists, including two managing directors, from Salomon Brothers Inc.

Salomon announced last month that it was abandoning the municipal business because of low profits and was laying off about 800 employees.

John M. Donovan and R. Fenn Putnam, who had been managing directors in the municipal-finance department at Salomon Brothers, have been recruited by Dean Witter as executive vice presidents for municipal finance.

The New York Times reported that Dean Witter was moving to deepen its involvement in municipal finance at a time that the business has been racked by overcapacity and fewer new issues. This hostile environment has been cited for the departure from the field not only of Salomon but also of L.F. Rothschild Inc. and Continental Illinois National Bank & Trust Co. Smith Barney, Harris Upham & Co. is also curtailing its municipal-bond operation sharply.

Dean Witter has had only a minor presence in public finance since 1981, when many of the company's best public-finance personnel resigned after it was acquired by Sears, Roebuck & Co. Its public-finance unit is based in Atlanta.

Olympia & York To Enter Talks With Santa Fe

WASHINGTON — Olympia & York Developments Ltd. said Tuesday that it had informed Santa Fe Southern Pacific Corp. that it was considering making an offer of at least \$63 a share for it, a bid that would value Santa Fe at about \$9.7 billion.

In a filing with the U.S. Securities and Exchange Commission, the Toronto-based Olympia & York said it was contacted Sunday by Santa Fe about proposals that would pay \$63 a share for the 93.1 percent of Santa Fe that it does not already hold.

Olympia & York said it had signed a confidentiality agreement with Santa Fe on Monday, granting it access to the information that was provided to Hentley Group Inc. Hentley has offered \$63 in cash and securities, or about \$8.3 billion, for the 85 percent of Santa Fe it does not already own.

Olympia & York said its talks may explore alternatives, including a merger, or a recapitalization or restructuring of Santa Fe.

\$27.5 Million In Bonus Offers At Bond Corp.

AGENCE FRANCE-PRESSE

FERTH, Australia — Alan Bond, the financier and yachtsman, says he plans to hand out bonuses totaling 41 million Australian dollars (\$27.5 million U.S.) to retain the services of his top executives.

The biggest payment, 10 million Australian dollars, would go to the managing director of Bond Corp. Holdings, Peter Beckwith. In return, Mr. Beckwith would be asked to agree not to join a rival company for four years if he quits the Bond Corp.

Five other senior Bond executives would have to agree to remain with the organization for five years to qualify for payments. Bond Corp. is a diversified brewing, media, property, oil, gas and mineral resources group.

Mr. Bond, 49, headed the yachtsman syndicate that brought the America's Cup to Australia in 1983. The syndicate's yacht this year, Australia IV, was eliminated in races in which Dennis Conner in Stars & Stripes regained the cup for the United States.

Pan Am Unions Agree to Help Financier's Bid

NEW YORK — Labor unions at Pan American World Airways have agreed to work with the financier Kirk Kerckorian in his effort to gain control of the airline and restructure the parent company, Pan Am Corp., union officials and a Kerckorian aide said.

Mr. Kerckorian seeks wage concessions and other give-backs by unions in exchange for new management and a spin-off of the airline from the parent, a larger stake for employees and an unspecified investment in the carrier by Mr. Kerckorian, union officials said.

Fred Benninger, a Kerckorian associate, said the financier expected to make a proposal soon, perhaps next week.

Pan Am management earlier this year asked for larger wage and work-rule concessions than the \$180 million a year that four unions were willing to give. Union employees own 7 percent of the holding company.

Suez Flotation, Delayed by Stock Crisis, Is Reset

PARIS — Trading in the shares of the recently privatized merchant bank Compagnie Financiere de Suez, delayed because of plunging stock prices, will begin Monday, the Finance Ministry said on Tuesday.

Private shareholders will be able to pay for their investment in two equal installments on Nov. 18 and a year later, the ministry said.

Listing of the shares on the Paris Bourse had been planned for last Thursday. But Finance Minister Edouard Balladur said that a 9 percent plunge in stock prices on the bourse the previous day made it necessary to push back the date. He did not specify a date then.

If the shares had started trading, there was a strong possibility that investors would have started with a paper loss. The shares, which carried an offering price of 317 francs (about \$54.58) in last month's public subscription, were being traded at 300 to 310 francs in unofficial trading in London last week, after falling to about 270 francs.

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A Power Struggle at Commerce Dept.

By Clyde H. Farnsworth New York Times Service

WASHINGTON — A power struggle has broken out in the U.S. Commerce Department under its new secretary, C. William Verity Jr., over his choice to fill the new job of undersecretary for export administration. Commerce officials say.

Seeking to place his own choice in the influential position, Mr. Verity has proposed Robert W. Dean, an alumnae of the State Department, the Pentagon and the CIA. Mr. Dean is now the senior director of international programs and technology affairs for the National Security Council.

But the choice has upset Senator Jake Garn, the senior Republican on the Senate Banking Committee and one of the most persistent critics of the Commerce Department's management of export licensing programs. Those programs are aimed at preventing advanced technology and other products that could have military use from reaching the Soviet Union and other unfriendly countries.

The Utah senator wants the job to go to a former economist on his staff, Paul Freedenberg, who for the past two years has been assistant secretary of commerce for export administration and is now the acting undersecretary.

Admiring the export rules is very sensitive because of opposing positions taken by the business community and the Pentagon. U.S. businesses say the controls hurt exports, and they assail cards that bar competitors in Western Europe and Japan are free to go after the same business.

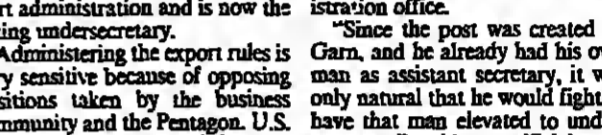
The Pentagon complains that too much U.S. technology has been used in the Soviet military buildup. Mr. Garn has long feuded with the Commerce Department over what he contended was its laxity in export-control policy.

It was Mr. Garn's amendment to the Export Administration Act that mandated a reorganization in the Commerce Department, effective Oct. 1, under which export controls have higher priority.

Previously, management of the controls came under the undersecretary for trade administration.

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(Details in this paper soon)



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AMSTERDAM DEPOSITORY COMPANY N.V. Amsterdam, 28th October 1987

CURRENCY MARKETS

U.S. Bonds Rise as Stock Market Renews Decline

NEW YORK — Prices of U.S. government bonds gained as much as a point Tuesday as the U.S. stock market slumped and investors showed better than expected interest in the first phase of the Treasury's quarterly refunding.

The bond market gets hooked on a lot of different things over the course of a year, but right now they are watching stocks, said Maury Harris, economist for PaineWebber Group.

DOLLAR: Currency Slides to Postwar Lows as Bonn Accepts Weaker Level

(Continued from Page 1) downward pressure on interest rates. West Germany's economic leaders have opted to stay with their policy of moderate growth based on tightly checked inflation and a cautious approach to monetary policy.

such finger-pointing was senseless given the current problems. "I think at some point in time, West Germany will realize the world is more concerned with deflation right now than inflation," said A. Gary Stilling, an international economist for Stilling Services in New York.

They maintain that this policy is already providing more than enough funds to keep gross national product, the nation's total output of goods and services, growing at an annual rate of 1 percent to 2 percent.

International economists said the dispute was intensified by the world stock crisis. The U.S. Treasury secretary, James A. Baker 3d, has described the Bundesbank as being obsessed with inflation and accused bank officials of causing upward pressure on interest rates.

GOLD: For South Africa, Precious Metal Softens Impact of World Stock Crisis

(Continued from first finance page) year will drop to 600 tons from last year's 640 tons, gold revenue will increase because of the rising price on the world markets.

combined production to nearly half that of South Africa. Simultaneously, the Communist bloc countries last year doubled their 1985 sales to an estimated 402 tons. China has also emerged as a major seller to the non-Communist world for the first time in a decade.

Increases in the price of gold give the South African government a certain amount of leeway to tell the world where to get off, one analyst said.

Standard Bank of South Africa is forecasting a 5 percent growth next year in gross domestic product, the country's total output of goods and services minus income from operations abroad.

Increases in the price of gold give the South African government a certain amount of leeway to tell the world where to get off, one analyst said.

As the same time, the price of gold has increased several times over the required \$18-an-ounce sanctions cushion. It is little wonder then, economic analysts here say, that the government of President Pieter W. Botha feels sanguine about the effects of sanctions and disinvestment, in the short run, at least.

Tuesday's OTC Prices NASDAQ prices as of 2 p.m. New York time. Via The Associated Press

Table of OTC prices for various stocks, including columns for stock name, price, and change.

London Dollar Rates table with columns for currency, rate, and change.

Table of 12 Month High/Low Stock prices for various companies.

Main table of 12 Month High/Low Stock prices for various companies, organized in columns.

Table of 12 Month High/Low Stock prices for various companies.

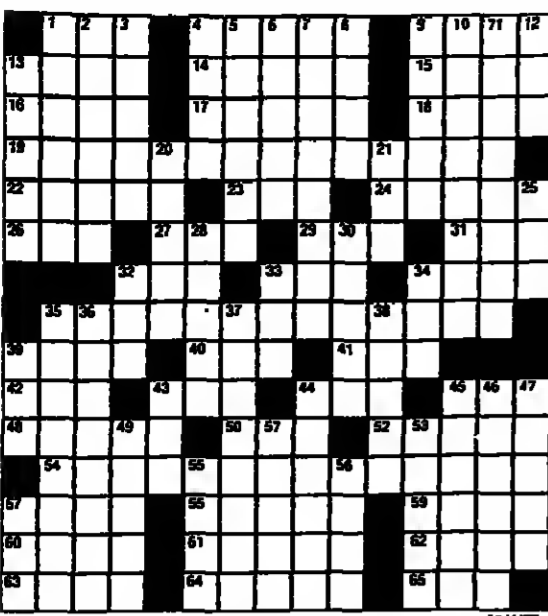
Main table of 12 Month High/Low Stock prices for various companies, organized in columns.

Tuesday's AMEX Closing. Tables include the nationwide circuit and do not reflect late trades elsewhere.

Table of AMEX closing prices for various stocks, including columns for stock name, price, and change.

Kuwait's Stock Losses Estimated at \$5 Billion

KUWAIT — Kuwait might have lost \$5 billion when the world's stock markets plunged last month, said Jassen Sadaoui, an influential Kuwaiti economist who is general manager of Al-Shall Economic Consultants Group.



ACROSS

1 Marsh or West
4 London blades
9 Jessoie
13 Norman, e.g.
14 Category for MOMA
15 Portent
16 In a while
17 City near Cleveland
18 Grand Ole
19 Unofficial
22 Upper crust
23 Albanian coin
24 Letter
26 Pouch
27 How to keep one's powder
28 Saver's option: Abbr.
31 Here, in Paris
32 E-link
33 Peer's mother
34 European coal-mining region
35 Dimey dips
39 Cercicous
40 Wye follower
41 Get-up-and-go
42 Silkworm
43 Fabulous bird
44 O.C. figure
45 Some N.F.L. players
46 M.P. or Lopat

DOWN

1 Envelope material
2 Frigid
3 Put in office
4 Soliloquy
5 Without words
6 Obvious pretense
7 Strange
8 Poke with a pike
9 Blackmore's "Lorna"
10 Cousin of a Vanduyke
11 Upright
12 "port in a storm"
13 Jay Leno's specialty
14 Hem and haw
15 There
16 Tavern in the town
17 Conifer
18 Root: Comb. form
19 Superman parlayer
20 Thing in the ointment
21 Consumed
22 Pam Dawber TV role
23 Nuts and bolts, etc.
24 Rusts
25 Tippet and tucker
26 Forty
27 Minute
28 Color for a carpet
29 Layers
30 Archer's need
31 Cream-pie favor
32 Puts one's John Henry on
33 Maladroit
34 Befuddle
35 Away
36 Thessaly mountain
37 Baseball's Slaughter
38 Hosp. staff member

PEANUTS



BLONDIE



BETLE BAILEY



ANDY CAPP



WIZARD of ID



DENNIS THE MENACE



REX MORGAN



GARFIELD



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

KOANE
EGUSS
SUSTLY
NOGARD

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here:

Yesterday's Jumbles: ELATE BRAVE SYLVAN ORIGIN
 Answer: Where you might see bare limbs in a wintry climate—ONLY ON TREES

WEATHER

EUROPE	HIGH	LOW	ASIA	HIGH	LOW
Algeria	18	14	Bangkok	28	22
Amsterdam	15	11	Hong Kong	22	18
Antwerp	15	11	London	12	8
Berlin	10	6	Manila	28	22
Brussels	10	6	Osaka	18	14
Cairo	22	18	Seoul	12	8
Geneva	10	6	Singapore	28	22
London	12	8	Taipei	22	18
Madrid	15	11	Tokyo	18	14
Moscow	5	1			
Paris	12	8			
Rome	15	11			
Stockholm	10	6			
Zurich	10	6			

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Nov. 3.

Amsterdam	London	Frankfurt	Stockholm
ABN 138.00	AA Euro 3 1/4	AIG 254.00	AGA 155.00
ABN 138.00	AA Euro 3 1/4	AIG 254.00	AGA 155.00
ABN 138.00	AA Euro 3 1/4	AIG 254.00	AGA 155.00

Stockholm	Toronto	Sydney	Singapore
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35	Carbons 4.00
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35	Carbons 4.00
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35	Carbons 4.00

BOOKS

THE GOLDEN DROPLET
 By Michel Tournier. Translated by Barbara Wright. 206 pages. \$16.95. Doubleday, 245 Park Avenue, New York, N. Y. 10167.

Reviewed by Michiko Kakutani

In his earlier novels, Michel Tournier, one of France's most controversial and acclaimed writers, has displayed a decided taste—and talent—for working philosophical variations on old stories. In "Friday," he turned "Robinson Crusoe" into a modernist, "The Shipwrecked Sailor" into a parable of the discontents of civilization, and in "The Four Wise Men," he reworked the story of the Magi, adding a fourth member to their fold. Now, in "The Golden Droplet," he takes the familiar figure of the innocent—the fellow who turns up in so many fairy tales and epics—and uses his adventures to meditate upon a favorite theme: the dynamic between innocence and experience, nature and civilization, individual and community, appearance and reality.

When we first meet Tournier's hero, a Berber shepherd named Idris, he's a kind of teenage Candide, leading an ascetic existence on an oasis in the middle of the Sahara. One day, wandering about the dunes, Idris comes across something he has never seen before: a Land Rover, "squat, white with dust, bristling with cans, spare wheels, jacks, fire extinguishers, towropes, shovels, perforated metal sheets for freeing it from the sand." Riding in the vehicle are a man and a beautiful blond woman. The woman takes a photograph of Idris, and promises to mail him a copy of it, when she returns to Paris.

Idris is excited by this encounter, but his mother warns him that the camera has stolen a piece of his soul, and she worries that he is now destined to leave the oasis. Sure enough, Idris soon decides that he must go in search of the woman who took his picture; and he prepares to set off for Paris. Just before leaving, he finds a lovely jewel lying in the sand. As an acquaintance later tells him, this golden droplet or "bulla aurea" is a Roman, or even Etruscan, emblem that still exists in some Saharan tribes. Freeborn Roman children wore this golden droplet around their necks hanging on a special ring, as proof of their condition. When they exchanged their child's toga for the virgile toga they also abandoned the bulla aurea and gave it as an offering to the household gods.

Indeed, Idris will lose this symbol of innocence and freedom midway through the quest for his photo.

That quest, predictably enough, turns into a search for identity; and in the wake of leaving his childhood Eden, Idris has a series of adventures that will initiate him into the complexities of the nasty, grown-up world.

Once Idris reaches the City of Light, however, things begin to bog down—as they often do in the final portions of Tournier's novels. Events no longer seem to have any causal connection to one another; rather, they seem contrived simply to underscore the author's theme, which, this time around, seems both overly familiar and baldly expressed.

Michiko Kakutani is on the staff of The New York Times.

BEST SELLERS

Rank	Title	Author
1	KALEIDOSCOPE	Danielle Steel
2	PRESUMED INNOCENT	Scott Turow
3	LEAVING HOME	Garrison Keillor
4	HEAVEN AND HELL	John Jakes
5	RAIN OF THE GODS	Tom Clancy
6	BELOVED	Tom Morrison
7	A SOUTHERN FAMILY	Gail Godwin
8	TOT FLASHES	Barbara Reutin
9	SARUM	Edward Rutherfurd
10	LEGACY	James A. Michener
11	THE PRINCE OF IDEAS	Pat Conroy
12	FREEDOM	William Safire
13	OLIVER TWIST	Charles Dickens
14	THE YANKEE	Harold Coyle

Solution to Previous Puzzle

G	O	L	D	R	O	S	S	A	F	I	L	T		
E	R	I	E	A	N	E	T	A	N	I	A	N		
E	L	E	C	T	I	O	N	R	E	T	R	I	N	S
R	E	S	O	W	S	A	N	I	S	A	I	S		
R	I	E	A	P	I	S	E	S						
C	O	S	E	O	S	E	N	G	I	A	G	E		
A	R	E	O	E	E	E	N	O	R	R	S			
A	R	E	O	V	E	N	T	I	O	N				
B	E	T	A	N	T	E	O	S	A	G	E			
S	E	R	I	A	S	N	U	N	S					
C	L	A	R	A	S									
A	T	M	C	L	A	B								
T	H	O	M	A	S	J	E	F	E	R	S	O	N	
T	A	R	O	T	A	L	O	O	T	R	A			
A	R	O	M	A	H	E	E	L	L	O	O			

BRIDGE

By Alan Truscott

THE laws of bridge bar you from taking into account the behavior and demeanor of your partner, but the opponents are fair game. If they look happy or sad, you can try to take advantage of that fact at your own risk. If it transpires that the happiness or sadness was due to factors unrelated to the card play, that is your misfortune.

This type of clue aided the declarer on the diagrammed deal from the Regional Women's Teams championships recently in Swan Lake, New York. An aggressive partner pushed her to an optimistic six-heart contract via a four-level transfer bid and Blackwood. West led the spade ace, received a hesi-

tant device from her partner and shifted to a club. South won with the ace, ruffed a spade and took the heart ace, the diamond ace and the club king.

Then she finessed in trumps and picked up the queen, relying on the fact that West looked mildly hopeful and East appeared worried. There were now 11 tricks but no way to establish the spade jack as the cards lay. But when the trumps were run eventually, East was squeezed in spades and diamonds.

South was Dorothy Truscott in Swan Lake, New York. An aggressive partner pushed her to an optimistic six-heart contract via a four-level transfer bid and Blackwood. West led the spade ace, received a hesi-

tant device from her partner and shifted to a club. South won with the ace, ruffed a spade and took the heart ace, the diamond ace and the club king.

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NORTH

AK

QAKJ8742

8752

WEST

A852

Q85

8752

EAST

Q1055

87104

AK1003

SOUTH (D)

109

AK9

AK43

Both sides were vulnerable. The bidding:

South West North East

1♣ 1♥ Pass 1NT

2♥ 2♠ Pass 2♣

3♥ 3♠ Pass 3♣

4♥ 4♠ Pass 4♣

5♥ 5♠ Pass 5♣

West led the spade ace.

Markets Closed

The stock market in Tokyo was closed Tuesday for a holiday and the market in Sao Paulo was closed Monday.

Zurich	Stockholm	Toronto
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35

Stockholm	Toronto	Sydney	Singapore
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35	Carbons 4.00
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35	Carbons 4.00
AGA 155.00	3000 Ash Pro 22.00	ACI 1.35	Carbons 4.00

Real Real Ma
 Against Reign

SPORTS BR
 News Is Named Presid

BRIDGE

Jobby Rally to Defeat

Waters of Vicozza, a member of the sen
 "Who likes to be old? I am no lo
 "Now when I see a cow, I just wave.
 "I am a doctor, former Pittsburgh pitcher, c
 "I have used a bedcheck just for me ever
 "I am always there."

Peters' Brown Suspended

The National Hockey League suspended
 suspended suspension in Tommie
 suspended a five-game suspension
 of the Colorado Rockies had to sit out 15

SPORTS

Regal Real Madrid Facing Stiff Test Against Reigning Champion Porto

International Herald Tribune LONDON — It takes a certain perverseness to question destiny. Here goes. For wealth, power, influence and organization, there seems to be nothing to stop Real Madrid from reclaiming its role as lord of European soccer.

it like an anesthesiologist administering ether. Real buys, and buys imperiously. Porto, even in its finest hour, is a selling club. No contest? This is where perverseness — Porto's and of those willing to share its self-belief — comes in.

slowly, slowly — that he could beat players, help beat nations, beat even those superstars he might see on the TV screen. Relatively uncoached, he arrives unaware of his ceiling. Algeria is an infant soccer nation, its federation formed in 1962 and its talents not yet systematized by coaching schemes reaching down to boys all but still in the cradle.

ROB HUGHES

alone outwit the West Germans in Vienna? Hardly. His star that night was eclipsed by Rahn Madjer. Who? Bayern Munich knows who: its chairman agreed to terms Tuesday to buy Madjer for three million marks (\$1.75 million).

He showed it for Algeria at two World Cups, and he showed it in Vienna, scoring Porto's first goal, with an intuitive backkick, and creating the second. Madjer is quick, he's smart, he does the unexpected and, small as he is, he can rise like a salmon to score with his head. He will be 30 in February, a terrible old age that Munich, offering a three-year contract, is willing to ignore.

Yugoslav Tomislav Ivic, the new manager, has broken Porto's addiction to its big center-forward. Ivic dropped Gomes — forever, he says — for breaking camp last month during Porto's first-round visit to Skopje in Yugoslavia.



Rabah Madjer on the attack: More than a touch of class.

Big Bucks in Baseball Bonuses

By Murray Chass New York Times Service NEW YORK — By staying healthy all season, Steve Balboni of the Kansas City Royals earned more money in bonuses, \$525,000, than the baseball income earned in all ways by 473 major league players this year.

Murray of Baltimore, Mike Schmidt of Philadelphia and Gary Carter of the Mets surpassed the \$2 million plateau. Depending on the method of valuation used, Quisenberry, Rice or Murray could be considered the highest-paid player. Quisenberry has a lucrative real estate deal in his contract that sends the value of his income soaring, while Rice and Murray have large chunks of money deferred without interest, which decreases the worth of their contracts in terms of present-day value.

earned lucrative bonuses, Don Sutton, just released by the California Angels, picked up \$340,000 for games started, Mike Witt of California earned \$250,000 based on innings pitched, Ken Dayley of St. Louis received \$250,000 for the number of games he pitched in. Nolan Ryan of Houston made an extra \$225,000 for number of starts and Doyle Alexander of Detroit earned \$200,000 for the number of starts he made.

SPORTS BRIEFS

Peters Is Named President by Indians CLEVELAND (AP) — Hank Peters was named president of the Cleveland Indians late Monday, four weeks after he was fired as general manager of the Baltimore Orioles.



Hank Peters

While touting the praises of its self-proclaimed "purely amateur" program. The long red line of so-called agricultural students, policemen, soldiers and teachers who paraded to the medal stands in international competitions were, according to officials, nothing more than that.

Soviets Appear Game to Turn Athletes Into Pros

MOSCOW — Professional, once a word applied to money-hungry Western athletes, is no longer such a derogatory term in the hallowed halls of the Soviet State Sports Committee.

Valery Brumel, the high jumper and gold medal winner at the 1964 Tokyo Olympics, has surfaced as an unofficial spokesman for the professionalism movement.

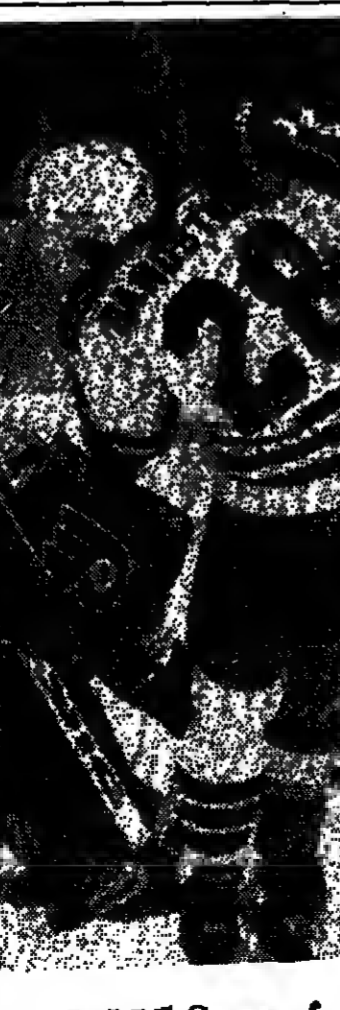
Soviet newspapers have recently been crammed with stories about former sports heroes fallen on hard times. Highlighted were the cases of European and USSR boxing champion Viktor Miroshchukenko, who is now a down-and-out hutter on a rural farm.

Brumel is one of the lucky ones. He has a successful "second career" as an author and composer of music. Alexander Kozlovsky, head of the foreign relations department of the State Sports Committee says the idea of introducing pensions for big-time athletes has been agreed to in principle. Although the exact amount of the pensions was not disclosed, Kozlovsky said it would be about the same as that of an army colonel's.

Like it or not, professionalism is being forced on more traditional sports administrators because of the economic reforms introduced in the country. As of January 1988, the government will substantially trim subsidies for unprofitable enterprises and businesses and will for the first time allow bankruptcies. With less subsidy money available, sports clubs — almost always sponsored by a factory, a trade union, a government ministry or a farm collective — are being told they will have to pay their own way as well.

Cowboys Rally to Defeat Giants, 33-24

IRVING, Texas (AP) — Roger Ruzek's three field goals in the final 4:11, after Jim Jeffcoat's 26-yard interception return had tied the game, rallied the Dallas Cowboys to a 33-24 National Football League victory over the New York Giants here Monday night.



Roberto de Vicenzo, a member of the senior golf tour for golfers 60 and over. "Who likes to be old? I am no longer the wild bull of the pampas. Now, when I see a cow, I just wave." (L.A.T)

Some think that Real has run out of steam. I doubt it; I wouldn't want it, either. Its style — encouraging defenders to attack with panache and surprise — brightens our game. So does uncertainty. That is the essence of competition, and that, while Porto believes itself to be the equal of aristocrats, is assured.

SCOREBOARD

Hockey

Table with columns for NHL Standings, including teams like NY Islanders, New Jersey, Washington, NY Rangers, Philadelphia, Pittsburgh, Montreal, Buffalo, Boston, Hartford, Quebec, and their respective records.

Football

Table with columns for Selected U.S. College Leaders, including teams like Stanford, Oklahoma, Michigan, Notre Dame, and their statistics.

NFL Standings

Table with columns for NFL Standings, including teams like Indianapolis, New England, Miami, NY Jets, Houston, Cleveland, Pittsburgh, Cincinnati, and their records.

Transition

Table with columns for Baseball American League, National League, and Basketball National Basketball Association, listing player movements and trades.

College Top-20 Polls

Table with columns for College Top-20 Polls, listing top teams like Oklahoma, Nebraska, Miami, Florida, and their rankings.

Quotable

Roberto de Vicenzo, a member of the senior golf tour for golfers 60 and over. "Who likes to be old? I am no longer the wild bull of the pampas. Now, when I see a cow, I just wave." (L.A.T)

Flyers' Brown Suspended 15 Games for Cross-Checking

The National Hockey League suspended Philadelphia right wing Dave Brown 15 games Monday for cross-checking New York Ranger Tomas Sandstrom in the face during a game Oct. 26. It equaled the longest suspension in league history for a player altercation.

Transition

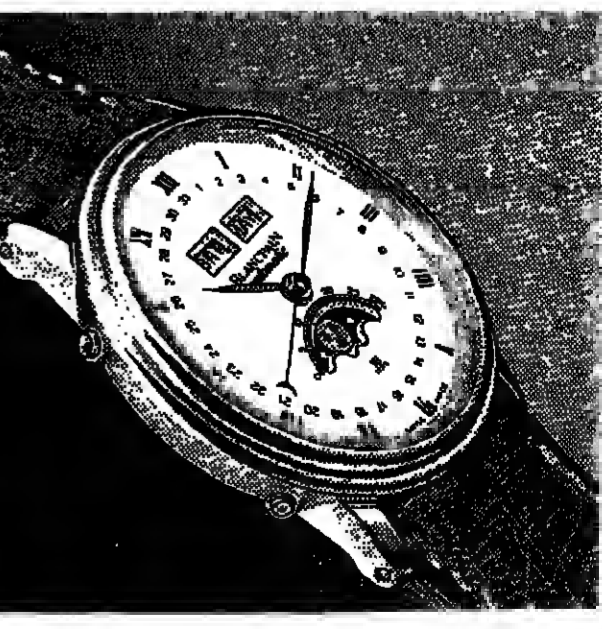
Table with columns for Baseball American League, National League, and Basketball National Basketball Association, listing player movements and trades.

College Top-20 Polls

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BLANCPAIN

SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH. AND THERE NEVER WILL BE.



David Morris Jewels 25 Conduit Street, London W1 Tel. 01-499 2200 Also at The David Morris Room, Harrods and at The Carlton Tower The Ivin On The Park Hotels, and at Islet, Italy

POSTCARD

The Kosher Constabulary

By Marianne Yen
Washington Post Service
NEW YORK — Navigating among carcasses hung from metal hooks, sidestepping chunks of fat and gristle strewn on the concrete floor, the man in the white lab coat and hardhat paused in front of an elderly butcher wielding a 12-inch knife.
"Go gotta cut these veins out!" Max Goldgrab shouted above the din of meat processing.

times descend on more glamorous establishments in unannounced raids. A recent target was the liner Queen Elizabeth 2, which was serving prohibited handbags of meat to kosher passengers.
"I could sound very heroic, but it was so simple," Rubin said. "I was watching the news one day and I saw people getting off the QE2, complaining that it wasn't ready to sail. I wondered, 'all of the things they failed to put in order, if one of them wasn't the kosher kitchen. So I sent my men out there and they found violations.'"
Commander Lissu acknowledged the infractions and paid a \$2,400 fine.

Daniel Auteuil's Success With Ugliness

By Richard Bernstein
New York Times Service
PARIS — Here is Daniel Auteuil, arguably France's hottest young actor these days — or, at least, the one who got the best actor award at the French version of the Oscar ceremonies in Paris this year — and he doesn't look it.



Daniel Auteuil (right) with Yves Montand in "Manon des Sources."

He receives a visitor in an apartment in the unfashionable Forte de Saint-Cloud area of Paris, and the apartment has nothing of the movie star in it. There are a few sticks of cheap furniture, a bookshelf with not very many books, a few more records and compact discs, a picture of his grandfather's grandmother — none of himself, not even one in his black tie and dinner jacket receiving the César.

talieja for Pagnol, who died in 1974, and his disappearing world.
Auteuil was not expected to steal the show, not in that stellar company. But he did, playing a character called Ugolin, a slim, dim, scheming, unattractive and yet somehow sympathetic, or at the least, pitiable, peasant — described by Pagnol as "thin and wiry like a goat" — who meets, first, with undeserved success and then deserved disaster. He is a certain emblem of a certain disappearing rural France, where the cunning, calculating, earthbound, and at the same time, dreamy peasant has the status of legend. In any case, Ugolin changed Auteuil's life.

"I earned and spent a lot of money. I lived well, but I was always being dragged along by some film I had to do in order to maintain that kind of life. All of that has changed now. The sort of film I get to do now is a kind of 'Jean de Florette' brought along has taught me the taste of luxury in the world of work and in my choices. I found my most precious dance partner. It's very precious to do what you want to do."

"I packed a suitcase and went to Paris when I was 20 to try to get into the Conservatory of Dramatic Arts, but I was rejected three times," he said. His chance, after that failure, came with an American production in Paris of the musical "Godspell." Auteuil auditioned — "It's cruel, you know, kind of like 'Chorus Line'" — and he was one of 10 actors chosen from 1,500 applicants.

afraid, you're Frank Sinatra.' It's a certain way the Americans have of taking possession of the situation, broadening it by virtue of energy and good health.
"Godspell" was followed by a busy career in movies and on the stage.
Then Claude Berri came up with the idea that Auteuil might play Ugolin.
"I read the novels, and I was absolutely subjugated by the story and by the powerful feeling that only I could play this role," Auteuil said. "You know, it was one of those things, a Joan of Arc sort of experience, where you say 'That's it, I've got to have it.'
"So, I went to see Berri and he told me, 'You're too handsome for the part.' It's very flattering, but I was terrified. I went home and cut my hair just any old way, leaving holes all over. I dyed myself a kind of rust color, following Pagnol's description of Ugolin. I let my beard grow and went back to see Berri 15 days later. We pushed the makeup a bit farther. I had the idea of painting on a false ear to accommodate the asymmetry of my face, and Berri had the idea of using false teeth.
"Then, for six months, I didn't work, or more accurately, for the first time in my life, I discovered the luxury of working at my pace. I dreamed about Ugolin a lot, until I got to that point where a certain alchemy takes place and the character that you dream about takes on a total kind of reality."

PEOPLE
Gorbachev Is Launched As International Author
In Washington, Soviet Ambassador Yuri Dubinin got the first U.S. copy of "Petrostrotski," Mikhail S. Gorbachev's new book on his restructuring program. It was presented by Michael Bessie, senior vice president of Harper & Row. It coincided with the Soviet leader's speech in Moscow. Bessie said the 256-page book would go on sale in the United States and 17 other countries in two weeks. "It's a real book," he said, "not a speech, not an amassing of propaganda, but a real book."
The Italian fashion designer Elio Fiorucci was awarded the Médaille de Vermeil of the city of Paris on Tuesday for his contributions to French fashion — Fiorucci's company is French, and he shows his collection only in France. The medal was given in a ceremony at the Hôtel de Ville by Alain Juppé, the budget minister and mayor's deputy to Prime Minister Jacques Chirac, who is also mayor of Paris.

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